The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

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Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

Contents.

Professional Notes.

THE Council of the Society of Incorporated Accountants and Auditors have unanimously re-elected Mr. Thomas Keens and Mr. Henry Morgan to the respective offices of President and Vice-President of the Society. Mr. Keens has proved himself one of the most enthusiastic and hardworking occupants of the Presidential Chair, and he has received loyal collaboration and support from his colleague Mr. Morgan.

Clause 96 of the Stoke-on-Trent Corporation Bill, now before Parliament, proposed to enact that the corporation may from time to time appoint and pay one or more members of the Institute of Chartered Accountants or of the Society of Incorporated Accountants and Auditors "or other recognised associations of accountants" to act as auditor or auditors of the accounts of the corporation in such manner as the corporation direct in lieu of the auditors appointed under the Municipal Corporation Act, 1882.

The Institute of Chartered Accountants in England and Wales and the Society of Incorporated Accountants and Auditors petitioned the House of Commons not to pass the Bill into law as it stood, and asked to be heard in opposition. It was set forth in the petition that it was essential that the audit of accounts of the corporation should be carried out by accountants such as members of the Institute and Society whose special training and knowledge in such matters had been proved, and that before the House entrusted the corporation with the power to appoint other associations to act as auditors they should in the interest of the community be satisfied that the members of such associations had the training and qualification equal to that possessed by members of the Institute and the Society entitling them to that position.

The London Association of Accountants, Limited, and the Corporation of Accountants, Limited, petitioned the House in support of the clause and against alterations. The matter came before the Local Legislation Committee on May 3rd and 8th, and Counsel for the Stoke Corporation had to make the ridiculous admission that if objection were taken and somebody were to say, "This is not a recognised association," it would have to be determined by the Courts whether it was or was not a recognised association within the meaning of the section. After a great deal of preliminary discussion the Committee decided that they would hear evidence from the two associations supporting the Stoke Bill, whereupon the Secretary of the London Association of Accountants, Limited, Mr. J. C. Latham, proceeded to the witness chair. At the end of Mr. Latham's evidence, Counsel for the Corporation of Accountants, Limited, stated that he was not in a position to call any evidence which would be of real assistance to the Committee. The Chairman of the Committee then said that they did not wish to hear any more evidence or to hear Counsel address them on the subject, and the Committee decided that the words objected to must be deleted from the clause, and that if the London Association or any other association desired to be included in the audit clause

of future Bills they must petition the House in the usual manner.

The foregoing is a succinct summary of the proceedings before the Committee, at which there were present some five members throughout, presided over by Sir Walter Raine, M.P. The net result of the hearing was to get back again to the position as laid down in the Coventry Corporation Bill in 1920, when Sir William Middlebrook, the then Chairman of the Local Legislation Committee, said in the House itself: "If the societies outside the two mentioned choose on any future Bill in this session or next session to enter an appearance, to submit their evidence and to let us know what their standard of qualification is, there will be no bar against them in favour of the Chartered and Incorporated Societies." It was recorded in the *Incorporated Accountants' Journal* for March that the Central Association of Accountants, Limited, had submitted to a Lords Committee on the Gloucester Corporation Bill evidence of their standard of qualification, which the Committee declined to accept as a proper standard. The Corporation of Accountants, Limited, which states in its year book that it "is now in its 36th year of existence, and is recognised by Government Departments in the United Kingdom," on its own admission, is unable to submit evidence of qualification to a House of Commons Committee. There is no need to labour these points.

The methods of attack of the London Association of Accountants, Limited, on the Chartered and Incorporated Accountants, especially the latter, show little improvement on those which ended so disastrously for the Association 21 years ago before Mr. Justice Warrington. In a statement on the Companies Bill issued to members of the House of Commons over the signature of the Secretary of the Association, Mr. J. C. Latham, it is stated that the Company Law Amendment Committee declined to make any recommendation that only Chartered and Incorporated Accountants should be permitted to act as auditors of the company. Nothing in the Committee's report shows that the Committee "declined" to take a particular course of action on this subject, although it is obvious that the Committee did not deal with the matter of auditors' qualifications. In connection with the Association's allegations it must be borne in mind that the Companies Report was signed by a Chartered Accountant of the English Institute, an Incorporated Accountant, and a Scottish Chartered Accountant. This fact is carefully suppressed in the statement issued to members of the House of Commons.

The point, however, which we wish to make is that the Association in its circular states that the restriction of auditorship of companies to Chartered and Incorporated Accountants "would prevent the youth possessing aptitude, ability and character, but without the economic good fortune to enable him to serve under articles and pay the customary high premium required by members of the older organisations, from attaining a full professional status." "Thus," it is alleged, "the recruitment of the profession would be subject to considerations totally unrelated to ability and integrity." The object of the Association is to create a false impression in the minds of Members of Parliament that only through its portals can a youth without means to pay a premium obtain a status in accountancy as a profession.

It is a curious fact that while the Institute and Society have not taken any steps to raise the question of the qualifications of auditors in the discussions on the Companies Bill, those members of the House most uneasy on the matter are identified with the Labour Party. Mr. A. V. Alexander, the Co-operative member for Sheffield (Hillsborough), who held office in Mr. Ramsay Macdonald's Government, and has taken a leading part in the debates, stated that he would have proposed an amendment to make it compulsory that company auditors should be approved by the Treasury and belong to the Chartered Accountants or Incorporated Accountants but that he had received letters from members of other accountancy associations protesting that they would lose their work as auditors if his amendment were carried. We are hopeful that Mr. Alexander and other ex-Ministers will examine a little more closely the pretensions of "members of other accountancy associations."

The Committee stage of the Companies Bill occupied a number of sittings during last month. In the course of the proceedings the Government accepted an amendment whereby the words "or there shall be inserted at the foot of the balance-sheet a reference to the report" in sect. 113 (3) of the Companies Act, 1908, are to be deleted. The effect of this will be that in future the auditors' report will have to appear in full at the foot of the balance-sheet in every case, instead of, as occasionally happens under the present law, being merely referred to at the foot of the balance-sheet and sent to the company as a separate report to be read at the annual general meeting. The discussion on auditors' duties and qualifications is reported in another column.

The Government was pressed very strongly to specify certain heads under which the various items in a balance-sheet should be set out. A long discussion ensued, and eventually the Attorney-General (Sir Thomas Inskip) promised that having regard to the opinion expressed on all sides that it was desirable to strengthen the clause he would be prepared, if the amendment were withdrawn, not merely to consider what could be done in the matter, but to invite any member of the Committee who might care to do so to come and discuss a particular suggestion. He promised that the suggestions of the members would be considered with an open-minded desire and intention to meet their arguments as to what was desirable towards strengthening the clause. As the amendment was pressed to a division and defeated there would appear to be some doubt as to whether the offer of the Attorney-General now stands.

Sir M. McNaghten moved a new clause in relation to the distinctive numbering of shares of public companies, about which there has lately been a great deal of correspondence in the Press. The present provision is contained in sect. 22 (2) of the Companies Act, 1908, which provides as follows: "Each share in a company having a share capital shall be distinguished by its appropriate number," and the proposal in the new clause was to add the words "until it is fully paid and may thereafter be so distinguished." After discussion, Mr. Williams, on behalf of the Government, stated that the matter had been carefully examined and that deputations had been received and heard on both sides of the question. While admitting that certain economies would be effected by the proposal, he said the door would be opened to certain forms of fraud which were either impossible or much more difficult to-day, and that the dangers outweighed the advantages. The Government had accordingly determined to oppose the new clause. The clause was thereupon by leave withdrawn.

The text of the Finance Bill has now been issued, and so far as Income Tax matters are concerned it is notable chiefly for what it does not contain. Apart from the clauses dealing with the rates of income tax and sur-tax and the increased allowances for children, there are no new provisions whatever. This means that sect. 31 of the Finance Act, 1927, which deals with super tax in relation to the undistributed profits of public companies and about which a great deal has been heard, is left to stand without amendment. There are indications, however, from what transpired when the Chancellor received a deputation recently representing the Joint Committee of Chambers of Commerce and other trade interests (a full report of which appears in our columns this month) that some modification of the clause may be under consideration for the purpose of inclusion in the Bill at a later stage. The fourth Schedule to the Bill, which we publish under a separate heading, embodies an amended agreement with the Irish Free State respecting double income tax relief.

An interesting decision was given by the Court of Appeal last month in the case of *Way* v. *Bishop*, in relation to the effect of a restrictive covenant in partnership Articles against competition within a given radius on the termination of the partnership. The clause in question provided that the defendant, Mr. Bishop (now the appellant), should not practise as a solicitor for ten years from the determination of the partnership in the Borough of Portsmouth or within five miles thereof. When the partnership ended Mr. Bishop entered the employment of another firm of solicitors as managing clerk, the offices of the firm being within 800 yards of those formerly used by his late firm. An interim injunction was granted restraining Mr. Bishop from continuing in the employ of this firm of solicitors, but the Court of Appeal has reversed this decision and held that the word "practise" in the partnership deed must be strictly construed, and that acting as a managing clerk to a firm of solicitors is not practising as a solicitor. In order to "practise" a person must act in such circumstances that the relationship of solicitor and client would arise. The terms implies a person who is a principal and has clients, and not one who is acting as the servant of another.

Curious anomalies of the law arise from time to time, and one which is probably not very well known came to light in the King's Bench Division last month in the case of *Jenkins* v. *Jenkins*. A testator died and left as his executor a Mr. Lewis Jenkins, who, along with two others, was jointly and severally indebted to the deceased on a promissory note for £100. Having obtained probate of the will the executor proceeded to sue his two joint debtors on the promissory note, and the County Court Judge gave judgment in his favour. On appeal, however, this decision has been reversed on the ground that the debt had been discharged before the action. The Court held that by the common law the effect of the appointment by a creditor of his debtor to be executor of his will is to release the debt on the death of the testator, because a debt is a right to sue, and the executor cannot sue himself.

But, further than this, it was held that where the executor is one of a number of persons jointly and severally indebted to the testator, the death of the testator releases the debt in respect of each and all of the debtors. This is on the ground that if one is discharged all are discharged. Apparently, however, there is one qualification, namely, that in equity the executor is liable to pay the debt if the interests of the creditors require it, and in such a case the debt is treated as an asset in his hands. This, however, arises only where the other assets are insufficient to meet the claims of the creditors.

In a voluntary liquidation a question arose, in relation to the affairs of the *South Rhondda Colliery Company*, as to the rights of a landlord to distrain for rent after the date of the winding-up resolution. The rent was due under a mining lease, which provided that whenever any rent or royalty was in arrear for thirty days the lessor might seize, distrain and sell the company's plant and chattels in the same way as landlords do for rent in arrear. The liquidator's defence was that the preferential debts, which included large claims under the Workmen's Compensation Acts, would more than exhaust all the assets, and should be paid in preference to the landlord. In these circumstances the Court restrained the lessor from proceeding with the distress.

Trustees in bankruptcy should bear in mind the decision of the Court of Appeal in *re A Debtor* (No. 99 of 1928) which has reference to the operation of the Moneylenders Act, 1927. This Act did not come into force until January 1st, 1928, and a moneylender who was the petitioning creditor in the bankruptcy refused to give the particulars required by sect. 9 (2) of the Moneylenders Act, 1927, in making his affidavit verifying the bankruptcy petition. This section, it may be remembered, requires a moneylender to distinguish the amount of principal from the amount of interest, and other details. Notwithstanding that the promissory notes on which the debt arose were given in January and April, 1927, it was held that the section of the Act applied, as it was settled law that a statute so far as it dealt with procedure was retrospective, and that this was merely a question of procedure. The same ruling would no doubt apply to proofs of debt by moneylenders.

A somewhat surprising judgment was given by Mr. Justice Eve last month in the case of *re Bates: Mountain* v. *Bates*. The question at issue was whether, in a trust estate, certain cash bonuses of considerable amount, which were declared by a shipping company and paid to the executor in respect of the testator's shares in that company between the date of his death in 1919 and the death of his widow in 1924, were capital or income. Certain of the company's vessels had been sold, and the sales represented sums considerably in excess of the book values, which were, in the first instance, carried to a suspense account and afterwards distributed. The company, in making the distribution, referred to them as payments out of capital, and said that they were not intended as dividends or bonus shares.

His Lordship decided that as the distributions in question represented assets which were not necessary to satisfy creditors or shareholders the bonuses must be treated as income of the estate and, therefore, in so far as they were distributable or distributed in the lifetime of the tenant-for-life, they were receivable by her and should not be treated as capital of the testator. This reasoning is somewhat difficult to understand in view of the fact that the distributions clearly arose from an appreciation of capital assets, and that the company made the distributions as payments out of capital. The shares in the company, which were £10 shares, were valued for probate at £18 each and the bonuses amounted in total to £41 per share. His Lordship may have been impressed by the values realised as compared with the probate valuations, but as there is no indication that it was part of the company's business to buy and sell ships it is not easy to see how appreciation in value arising from that source should be regarded as income any more than the appreciation of any other asset left by the testator.

A peculiar point was decided recently relating to income tax on charitable donations in the case of *Llewellyn* v. *University College of South Wales and Monmouthshire*. A donor had entered into a deed of covenant with a charity to contribute a specific sum of money during a period of seven years out of his taxed income, payable by quarterly instalments, and understood that the charity would be able to recover the tax thereon. The Inland Revenue Authorities, however, refused to repay the tax, holding that the donor had not contracted to make a quarterly contribution but had in fact agreed to pay a capital sum by instalments spread over seven years. An application was therefore made by the donor to have the agreement amended by substituting quarterly payments of fixed amounts for the fixed total sum payable by quarterly instalments. Mr. Justice Astbury, in granting the application, remarked that in his opinion the alteration made no difference.

The Society's 43rd Annual Meeting.

In rising to propose the adoption of the 43rd Report of the Council at the annual meeting of the Society of Incorporated Accountants and Auditors, the President of the Society, Mr. Thomas Keens, expressed some regret that in his speech he would be unable to deal with two important matters which, under other circumstances, it had been his intention to bring before the members. As the President said that an extraordinary general meeting would be convened by the Council in a few weeks to consider the special business that he was then unable to advance, we feel sure that the members will not grudge the short but necessary postponement.

Mr. Keens' address, which we report fully elsewhere, showed a breadth of vision in regard to commercial and industrial questions which is sometimes absent in professional surveys of problems which Incorporated Accountants are bound seriously to consider. Following the arrangement of Mr. Keens' address, we would wish to express in the first place regret at the departure from the Council of three members who in their day have rendered excellent service to the Society: Mr. Richard Smith (Newcastle-on-Tyne), Mr. Richard Leyshon (Cardiff), and Mr. F. Ogden Whiteley (City Treasurer of Bradford). Notice of two of the vacancies was received too late to be dealt with at the annual meeting, but Mr. Whiteley's place was subsequently filled by the election of Mr. W. Allison Davies (Borough Accountant of Preston), whose valuable annual statement on the rates levied in various towns marks him out as one of those careful compilers for whose work the President expressed the public need.

In regard to Parliamentary matters, we have reviewed the recent proceedings before Committees of both Houses elsewhere, but the President's action was timely in drawing attention to the existence of no less than seven different associations of accountants outside the bodies of Chartered and Incorporated Accountants in England and Wales, Scotland and Ireland. Mr. Keens sees nothing to prevent the formation of a further number by the simple process of registering companies purporting to represent accountants. He asked whether it could be said that the existence of this bewildering and uncertain state of affairs was in the public interest. Turning to the Companies Bill, Mr. Keens said that members of the Society might have criticisms of this or that portion of the Bill, but, subject to the suggestion of certain amendments (some of which had been accepted), the Council had supported the Report of the Greene Committee. In his view the acceptance of a number of the amendments moved in Committee of the House of Commons would have had a detrimental effect on the position of auditors and on company practice generally.

In the course of his address, Mr. Keens invited attention to the present position in regard to the audit of municipal accounts, a question to which his thoughts had particularly been directed by recent decisions in Parliament and by the rating and other reforms in Local Government promised by the Chancellor of the Exchequer. The history which Mr. Keens gave of the appointment of auditors since the passing of the Municipal Corporations Act of 1882 has been reviewed several times in these columns, and we propose, therefore, to pass along to a consideration of the problems affecting industry and commerce, on which Mr. Keens rightly concentrated. He pointed out the increasing need for the further systematic collection and collation of facts and information as to the production of different undertakings and as to the contribution which they are making to the economic life of the country. He was satisfied that there must be an increasing demand for accounts and statistics, which will be accepted without question as the basis of negotiations in business and industrial problems when certified by Incorporated Accountants, and he called upon the younger generation of Incorporated Accountants to study the problems of industry in order that their professional efficiency might be equal to any demands which could be made upon them. There can be no doubt as to the importance of this appeal. It is absolutely necessary in the consideration of industrial problems that facts and figures when presented should be beyond the range of dispute, and it is only through a keen response by the younger generation in the profession to the suggestions put before them by Mr. Keens that they can hold their own as impartial investigators possessing the confidence of all sections of the community. Arising from the consideration of industrial questions, Mr. Keens again drew attention to the importance of costing, because he believed that in industry generally further consideration should be given to this important subject.

Mr. Keens made reference to the movement towards the industrialisation of that part of England south of the Trent, and said that his views concerning "small business" as opposed to "big business," had been re-echoed in a number of responsible quarters. On the subject of rationalisation of industry, he gave the opinion that the individualism of British industry and commerce must tend to become more and more obscure under a system of rationalised industry. In spite of the continued absorption of smaller undertakings by large combines,

he entertained high hopes for the small business and the small manufacturer in his own particular field, as he was still the nation's bulwark against the encroachments of trustification. We believe that Mr. Keens is sound in his views in regard to small business as fortified by the recent and prospective increase in the generation and distribution of cheap electric power. Steam power, he said, favoured large units of production, while electric power favoured smaller units of production, and cheaper electricity would enable the small manufacturer to improve his methods of production and reduce his costs.

In discussing the problem of the rates, Mr. Keens spoke with the full knowledge of one who has played an important part in local government. He contended that the operation of the present rating system on industry is cumulative, the cost of the rates in one process being reflected in the next, and so on to the finished product. The effect of any scheme of rating relief, therefore, must be to relieve industry throughout the entire chain. On the subject of the state of trade, Mr. Keens was of opinion that the figures relating to unemployment are still unsatisfactory, and show that many unemployed must be absorbed in industry before the Unemployment Insurance Fund can be actuarially sound.

Taking a glance at the future of the profession, Mr. Keens said that the large number of entrants into the profession led him to consider the question of their absorption and remunerative employment. It was significant that the stabilisation of the accountancy profession should have become a public question, as instanced by the recent report of the Liberal Industrial Enquiry which recommended fusion of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors. The public interest demanded that leadership should be shown in the existing governing bodies, which should seize whatever opportunity might present itself to consolidate the accountancy profession.

Mr. Keens, in concluding his speech, gave voice to the hope that in the near future "we shall mark in a signal manner the beginning of a further era of progress for Incorporated Accountants, who, placing at the disposal of the community an increasingly valuable professional service, will contribute to that prosperity on which we confidently hope our country has entered."

In the general discussion which followed, the subject of registration for the profession was again raised. Those who have studied professional history during the last 40 years will appreciate the extraordinary difficulties attached to a satisfactory solution of this question. For our part, we express the opinion that there is little probability of any private Member's Bill finding its way to the Statute Book.

Price Maintenance Agreements.

THE general principle with regard to agreements in restraint of trade is that such agreements may be legal and enforceable provided that they are reasonable, *i.e.*, reasonable not only as between the parties to the agreement, but also from the point of view of the public. The tests whether an agreement in restraint of trade is reasonable were laid down by Lord Parker in *Morris* v. *Saxelby* (1916), 1 A.C., 688). In that case he said that what is meant is that for a restraint to be reasonable in the interests of the parties it must afford no more than adequate protection to the party in whose favour it is imposed. So conceived the test appears to be valid both as regards the covenantor and covenantee, for though in one sense it is contrary to the interests of the covenantor to subject himself to any restraint, still it may be for his advantage to be able so to subject himself in cases where, if he could not do so, he would lose other advantages, such as the possibility of obtaining the best terms on the sale of an existing business, or the possibility of obtaining employment or training under competent employers. As long as the restraint to which he subjects himself is no wider than is required for the adequate protection of the person in whose favour it is created, it is in his interest to be able to bind himself for the sake of the indirect advantages he may obtain by so doing.

The first and paramount question in every case of restraint of trade is whether that restraint is reasonable in the interests of the parties. If it is not, the restraint is bad. If it is, it may still be shown that such restraint is injurious to the public. As regards the test as to what is reasonable in the interests of the public, it is important to note that the standard of public policy must be the standard of the present time, not that of the public policy which was laid down a long time ago. The true view at the present time is that the public have an interest in every person carrying on his trade freely; so has the individual. All interference with individual liberty of action in trading, and all restraints of trade of themselves, if there is nothing more, are contrary to public policy, and therefore void. That is the general rule. But there are exceptions: restraints of trade and interference with individual liberty of action may be justified by the special circumstances of a particular case. It is a sufficient justification and indeed the only justification if the restriction is reasonable—reasonable, that is, in reference to the interests of the parties concerned, and reasonable in reference to the interests of the public, so framed and so guarded as to afford adequate protection to the party in whose

favour it is imposed, while at the same time it is in no way injurious to the public.

In *Elliman* v. *Carrington* (1901), 2 Ch., 275) the plaintiffs sold goods to wholesale traders under a contract whereby the purchasers bound themselves not to sell the goods for less than certain specified prices, and if they sold to the trade to procure a similar signed agreement from every retailer whom they supplied. The purchasers sold some of the goods to retail traders without procuring from them any such agreement as provided by the contract. It was held that the contract was not in restraint of trade, and that the vendors could maintain an action in respect of the breach of it. In *Palmolive Company* v. *Freedman* (1927), 44 T.L.R., 86), in consideration of being placed on the plaintiffs' wholesale list and allowed their wholesale discount the defendant, a wholesaler and retailer, agreed not to sell Palmolive soap "howsoever acquired" to the public under sixpence a tablet. It was held that the agreement was valid and enforceable, and the plaintiffs were entitled to the injunction claimed. This case is not one of general restraint of trade, but of a restriction in the case of a particular proprietary article. A trader need not deal with the article, and if the restrictions were in fact unreasonable, economic pressure would compel the manufacturer to modify or withdraw his restrictions.

Price maintenance agreements are, of course, subject to the general principles of law that only a person who is a party to a contract can sue on it, and that if a person with whom a contract not under seal has been made is to be able to enforce it, consideration must have been given by him to the promisor, or to some other person at the promisor's request. Further, a principal not named in the contract may sue upon it if the promisee really contracted as his agent, but in order to entitle him to do so, he must have given consideration either personally or through the promisee acting as his agent in giving it. In *Dunlop Pneumatic Tyre Company* v. *Selfridge & Co.* (1915), A.C., 847) by a contract made between D. & Co., and the appellants, in consideration of the appellants allowing them certain discounts off their list prices for their goods, D. & Co., agreed to purchase goods to a certain amount from the appellants, and undertook not to re-sell such goods to private customers at less than the list prices of the appellants, and to pay a penalty for any breach of such undertaking; but they were at liberty to sell such goods to persons in the trade at less than the list prices on obtaining from them a similar undertaking as to re-sales. D. & Co. sold some of the goods to the respondents, who were in the trade, at discounts less than they had themselves obtained from the appellants, and obtained a similar undertaking from them as to re-sales. The respondents afterwards, in breach of their undertaking, sold some of the goods to a private customer at less than the appellants' list prices, and the appellants brought an action against them for penalties. It was held by the House of Lords that, assuming that the undertaking of the respondents as to re-sales was given to D. & Co., not as principals but on behalf of the appellants as undisclosed principals, there was no consideration moving from the appellants to the respondents to support that undertaking, and that the action could not be maintained.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held in the Council Chamber, 50, Gresham Street, London, E.C., on Tuesday, May 22nd, when there were present:—Mr. Thomas Keens (President), in the chair; Mr. Henry Morgan (Vice-President); Mr. William Bateson (Blackpool), Mr. H. J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. E. Cassleton Elliott (London), Mr. Walter Holman (London), Mr. Ernest T. Kerr (Birmingham), Sir James Martin, J.P. (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. Arthur E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. J. Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. F. Walmsley, J.P. (Manchester), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Mr. A. E. Woodington (London), Mr. A. A. Garrett (Secretary), and Mr. J. R. W. Alexander (Parliamentary Secretary).

Apologies for non-attendance were received from Mr. William Paynter (London), and Mr. R. T. Warwick (West Hartlepool).

DEATHS.

The Secretary reported the death of the following members:—Mr. Charles Lewis Edwards (Fellow), London; Mr. William Daniel Elgar (Fellow) London; Mr. Arthur Dollen Hucklebridge (Associate), Johannesburg; Mr. William Robert Rucker (Associate), Melbourne; Mr. Thomas Tranter (Fellow), Wallasey; Mr. Herbert James Trist (Associate), Melbourne; Mr. Isaac Watkin (Associate), Oswestry.

STOKE-ON-TRENT CORPORATION BILL.

A report was made to the Council that, following a joint petition by the Institute and the Society, the Local Legislation Committee of the House of Commons had ordered the words "or other recognised associations of accountants" to be removed from the audit clause of this Bill.

NEW DISTRICT SOCIETY.

The Council confirmed a proposal that the Leicester members should form a District Society. The Nottingham, Leicester, Derby and Lincoln Society will in future be known as the Nottingham, Derby and Lincoln District Society.

SOUTH AFRICAN MATTERS.

The Council received a report of the formation of a Regional Committee of Incorporated Accountants in Natal, whose office will be in Durban. This Committee corresponds to similar Regional Committees in Cape Town and Johannesburg. The appointment of Mr. W. R. Fraser, A.S.A.A., as Hon. Secretary was confirmed.

ACCOUNTANCY PROFESSION IN JAPAN.

The Council received advice from the Secretary of State for Foreign Affairs, dated April 25th, 1928, as to the operation of a new Japanese Accountants' Law.

RESIGNATION.

The Council received an intimation from Mr. Richard Leyshon that upon medical advice he did not wish his name to go forward for re-election as a member of the Council at the Annual General Meeting. The following resolution was unanimously adopted:—"That the Council receive with much regret Mr. Richard Leyshon's intimation that he has felt compelled under medical advice to withdraw his name for re-election to the Council. The Council thank Mr. Leyshon for his services to the Society and express to him their cordial good wishes."

DISCIPLINARY COMMITTEE.

The Council received a report from the Disciplinary Committee that the Committee had severely censured a member for having solicited business from clients of other members of the profession at reduced fees; and that such solicitation had also been carried out through a private limited company of which he was the principal shareholder.

ADJOURNED MEETING.

A meeting of the Council was held in Cordwainers Hall, Cannon Street, London, E.C., on Tuesday, May 22nd, after the Annual General Meeting, when there were present:—Mr. Thomas Keens (the retiring President), in the chair; Mr. Henry Morgan, Mr. William Bateson, Mr. H. J. Burgess, Mr. D. E. Campbell, Mr. W. Claridge, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. Walter Holman, Mr. E. T. Kerr, Sir James Martin, Mr. C. Hewetson Nelson, Mr. James Paterson, Mr. W. H. Payne, Mr. Arthur E. Piggott, Mr. G. S. Pitt, Mr. J. Stewart Seggie, Mr. Alan Standing, Mr. Percy Toothill, Mr. A. H. Walkey, Mr. F. Walmsley, Mr. E. W. C. Whittaker, Mr. W. McIntosh Whyte, Sir Charles H. Wilson, M.P., Mr. A. E. Woodington, Mr. A. A. Garrett (Secretary), and Mr. J. R. W. Alexander (Parliamentary Secretary).

ELECTION OF PRESIDENT AND VICE-PRESIDENT.

It was resolved unanimously that Mr. Thomas Keens be re-elected President and Mr. Henry Morgan Vice-President for the ensuing year.

ELECTION OF COMMITTEES.

The following Committees were elected, the President and Vice-President being *ex officio* members of all Committees. The Chairmen of the respective Committees were also appointed as stated hereunder:—

Disciplinary Committee.—Mr. F. Walmsley (Chairman), Mr. G. S. Pitt (Vice-Chairman), Mr. W. Claridge, Mr. Arthur Collins, Mr. C. Hewetson Nelson, Mr. E. Whittaker, Sir Charles Wilson, Mr. A. E. Woodington.

Finance and General Purposes Committee.—Mr. C. Hewetson Nelson (Chairman), Mr. Arthur Collins, Mr. G. S. Pitt, Mr. Alan Standing, Mr. F. Walmsley, Mr. W. McIntosh Whyte, Sir Charles Wilson, Mr. A. E. Woodington.

Examination and Membership Committee.—Mr. A. E. Woodington (Chairman), Mr. H. J. Burgess, Mr. W. Claridge, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. Walter Holman, Mr. C. Hewetson Nelson, Mr. W. H. Payne, Mr. W. Paynter, Mr. R. T. Warwick, Mr. W. McIntosh Whyte.

Parliamentary Committee.—Sir Charles H. Wilson (Chairman), Mr. W. Bateson, Mr. W. Claridge, Mr. Arthur Collins, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. E. W. C. Whittaker.

Articles and Bye-Laws Committee.—Mr. E. W. C. Whittaker (Chairman), Mr. E. Cassleton Elliott, Mr. Alan Standing, Mr. Percy Toothill, Mr. A. E. Woodington.

District Societies Committee.—Mr. Thomas Keens (Chairman), Mr. H. J. Burgess, Mr. D. E. Campbell, Mr. Walter Holman, Mr. E. T. Kerr, Mr. W Paynter, Mr. R. T. Warwick.

EXAMINERS.

The Society's Examiners for the ensuing year were re-appointed.

FINANCE BILL.

The following are the provisions of the Bill in so far as they relate to Income Tax and Super Tax:—

Income Tax.

INCOME TAX AND SUPER TAX FOR 1928-29.

13.—(1) Income tax for the year 1928-29 shall be charged at the standard rate of 4s. in the pound, and in the case of an individual whose total income from all sources exceeds £2,000, at the following rates in respect of the excess over £2,000:—

For every pound of the first £500 of the excess	4s. 9d.
For every pound of the next £500 of the excess	5s. 0d.
For every pound of the next £1,000 of the excess	5s. 6d.
For every pound of the next £1,000 of the excess	6s. 3d.
For every pound of the next £1,000 of the excess	7s. 0d.
For every pound of the next £2,000 of the excess	7s. 6d.
For every pound of the next £2,000 of the excess	8s. 0d.
For every pound of the next £5,000 of the excess	8s. 6d.
For every pound of the next £5,000 of the excess	9s. 0d.
For every pound of the next £10,000 of the excess	9s. 6d.
For every pound of the remainder of the excess	10s. 0d.

(2) The rates of super tax for the year 1928-29 shall, for the purposes of sect. 4 of the Income Tax Act, 1918, be the same as those for the year 1927-28.

(3) All such enactments as had effect with respect to the income tax and super tax charged for the year 1927-28, shall, subject to the provisions of any enactments which were expressed to come into operation on April 6th, 1928, or to apply in relation to income tax or super tax for the year beginning on that day, have effect with respect to the income tax and super tax charged for the year 1928-29.

(4) The annual value of any property which has been adopted for the purpose of income tax under Schedules A and B for the year 1927-28 shall be taken as the annual value of that property for the same purpose for the year 1928-29:

Provided that this sub-section shall not apply to lands, tenements, and hereditaments in the administrative county of London with respect to which the valuation list under the Valuation (Metropolis) Act, 1869, is by that Act made conclusive for the purposes of income tax.

DEDUCTIONS IN RESPECT OF CHILDREN.

14.—Sect. 21 of the Finance Act, 1920 (which provides for deductions in respect of children), shall be amended as follows:—

(1) In sub-sect. (1)—

(*a*) For the words "living at the commencement of the year of assessment" there shall be substituted the words "living at any time within the year of assessment";

(*b*) For the words "thirty-six pounds" and "twenty-seven pounds" there shall be substituted respectively the words "sixty pounds" and "fifty pounds";

(2) In sub-sect. (3) for the words "forty pounds" there shall be substituted the words "sixty pounds."

CONTINUANCE OF ALLOWANCE FOR REPAIRS.

15.—(1) Sect. 28 of the Finance Act, 1923 (which relates to the allowance for repairs), shall continue in force until April 5th, 1933.

(2) This section shall be deemed to have had effect as from April 6th, 1928.

RELIEF FROM DOUBLE TAXATION IN RESPECT OF BRITISH INCOME TAX AND IRISH FREE STATE INCOME TAX.

16.—The Agreement made April 25th, 1928, between the British Government and the Government of the Irish Free State amending the Agreement made on April 14th, 1926, between the said Governments in respect of double income tax (which first mentioned Agreement is set out in the Fourth Schedule to this Act) is hereby confirmed, and shall have effect, with respect to exemption or relief to be granted from British tax, for the year 1928-29 and any subsequent year, provided that, with respect to exemption or relief to be granted from Irish Free State tax, it has effect for that year by virtue of an Act of the Legislature of the Irish Free State. (*See Agreement under separate heading.*)

SUMMARY RECOVERY OF INCOME TAX IN NORTHERN IRELAND.

17.—Notwithstanding anything in sect. 5 of the Small Debts (Ireland) Act, 1859, any such amount of income tax as is under the provisions of the Income Tax Acts recoverable summarily as a civil debt may, without prejudice to any other remedy, be recovered summarily in Northern Ireland, and in any summary proceedings in Northern Ireland for the recovery of income tax any order for the payment of money may be enforced in like manner as an order for the payment of a sum recoverable summarily as a civil debt is enforceable in England, and for the purpose of an order made in any such proceedings sect. 35 of the Summary Jurisdiction Act, 1879, shall apply to Northern Ireland with the substitution of a reference to the Debtors (Ireland) Act, 1872, for the reference therein to the Debtors Act, 1869.

FIFTH SCHEDULE.
Enactments Repealed.

Session and Chapter.	Short Title.	Extent of Repeal.
9 Edw. VII, c. 43.	The Revenue Act, 1909.	Sect. 6.
5 & 6 Geo. V, c. 7.	The Finance Act, 1914 (Session 2).	Sect. 6.
5 & 6 Geo. V, c. 89.	The Finance (No. 2) Act, 1915.	Part III of the First Schedule.
13 & 14 Geo. V, c. 14.	The Finance Act, 1923.	Sect. 10; sub-sect (5) of sect. 28; sect. 32.
14 & 15 Geo. V, c. 21.	The Finance Act, 1924.	Sect. 15.
16 & 17 Geo. V, c. 22.	The Finance Act, 1926.	In the First Schedule the words from "3. Vehicles" to "Roads Act, 1920," and the words from "5. Vehicles to the end of the Schedule.
17 & 18 Geo. V, c. 10.	The Finance Act, 1927.	In the Fourth Schedule the words from "Amendments to be made in paragraph 5" to the end of the Schedule.
17 & 18 Geo. V, c. 37.	The Road Transport Lighting Act, 1927.	Sect. 13.

LIMITED LIABILITY COMPANIES AND SUPER TAX.

The Joint Committee of the Association of British Chambers of Commerce, the Federation of British Industries and the Shipowners' Parliamentary Committee—consisting of Sir Edward Iliffe, C.B.E., M.P., Sir James Martin, J.P., F.S.A.A., Mr. H. Lakin-Smith, F.C.A., Sir Norman Hill, Bart., Sir Alan Anderson, K.B.E., Mr. Bindon Scott, Mr. C. A. Fryer, F.C.A., Mr. R. B. Dunwoody, C.B.E., Secretary—have issued an interim report containing suggestions in regard to sect. 31 of the Finance Act, 1927.

In the House the Chancellor pointed out that the section in question would not come into operation until 1928, and offered to consider any better way which industry could devise of achieving the purpose of the Government, which was to circumvent the super tax evader without disturbing the normal course of business.

The Association of British Chambers of Commerce, the Federation of British Industries and the Shipowners' Parliamentary Committee each formed sub-committees to examine the problem for the purpose, in due course, of submitting suggestions to the Chancellor. It was subsequently decided that a joint committee should be appointed to deal with the question, consisting of representatives of the three Associations. Such a committee, it was felt, could claim to speak for industry as a whole, and it was hoped with that authority behind it the Government would see its way to adopt the recommendations submitted provided the Committee was fortunate enough to agree unanimously upon a scheme.

After examining the problem, the Joint Committee felt conscious of the three main objections to the present legislation, all of which in their opinion tended to encourage the directors of the companies affected to over-distribute at a time when more money is required for the development of industry.

The Committee contends it is essential, if our export trade is to extend and the unemployed are to be absorbed, that as large a percentage as possible of the profits made by industry each year shall be left in industry for its further development, and any legislation which tends to discourage large reserves and conversely to encourage distribution up to the hilt is harmful to the community as a whole and ultimately to the Exchequer.

The Committee's Objections.

The three main objections the Committee takes to the present legislation are as follows:—

(*a*) The uncertainty which must necessarily exist in the minds of directors of honestly conducted companies as to the amount of the profits it is legitimate to reserve each year for future development.

(*b*) The feeling of insecurity, due to the fact that at any time in the future the Inland Revenue Department may demand super tax on profits reserved for six years past.

(*c*) The fact that super tax when levied is payable on the whole of the profits and not merely upon that portion of the profits deemed to be unreasonably withheld.

These are the points to which the Committee, therefore, directed its attention.

It was realised, however, as the Chancellor pointed out during the debate on the Finance Act, that there have been

flagrant and extravagant cases of the evasion of super tax which have no relation to the course of legitimate business, and that the legislation at present on the statute book was intended to aim only at such flagrant cases.

The Joint Committee, therefore, endeavoured to draft a scheme which would leave such cases to the full force of the law as it now stands while safeguarding the interests of honestly conducted companies.

The following scheme was subsequently prepared by the Joint Committee, and this in its opinion effected the purpose for which it was devised:—

SCHEME SUGGESTED.

1.—No change is suggested in the definition of the companies to which sect. 21 of the Act of 1922 as amended by sect. 31 of the Act of 1927 applies.

2.—Unless a company comes within the cases referred to in paragraph 7 hereof, it shall not be dealt with under that section until a "warning" has been served on the company by the Special Commissioners stating the grounds upon which it appears to the Special Commissioners that the distribution during the year under review is open to challenge under that section.

3.—Upon receipt of the "warning," the company shall have the right to justify its financial policy before an appropriate tribunal, and if the tribunal is satisfied that the distribution made does not bring the company under the section the "warning" shall be withdrawn.

4.—A "direction" under the section shall only be given by the Special Commissioners after such "warning" has been issued, and then only in respect of the accounts for the next accounting period of the company, but a "warning" issued in any one year, unless withdrawn under Clause 3, shall continue in force for the purposes of entitling the Special Commissioners to give "directions" in any subsequent accounting periods until such time as the "warning" is withdrawn by the Special Commissioners, such withdrawal not to be unreasonably withheld.

5.—The machinery provided in the Acts for the appeal to the Special Commissioners and ultimately to the Board of Referees would then operate.

6.—No "direction" or "warning" shall be given after the expiration of —— months from the date of the delivery of the accounts to which such "direction" or "warning" relates.

7.—The "warning" necessary before a company can be brought under the section shall not be required—

(*a*) In cases coming within the description of sect. 31 (1), paragraphs (*a*) and (*b*), of the Finance Act, 1927.

(*b*) In the case of any company which has not completed two years trading from the date of its incorporation by the date to which the accounts of the accounting period in question have been made up.

(*c*) In respect of the last two years trading of any company prior to an order being made or a resolution being passed for its winding-up.

(*d*) In the case of any existing company where there has been a substantial alteration in the holding of its shares or in the nature of its business within the period covered by such accounts.

8.—The Special Commissioners or the Board of Referees shall be empowered to charge companies (or the members thereof) with super tax only upon that portion of the profits determined to be unreasonably withheld from distribution except in cases coming within the description of sect. 31 (1), paragraphs (*a*) and (*b*) of the Finance Act, 1927.

GENERAL EFFECT OF SCHEME.

It will be realised that the general effect of the scheme would have been to give those companies which are carrying on a legitimate business from year to year and whose only offence is the under-distribution of profits in a particular year the right of a "warning" in regard to the accounts relating to the year under review, and that the company or its shareholders can only be assessed to super tax on the profits of a subsequent year (or years) if the "warning" is disregarded.

Clause 7 would have exempted from the operation of the "warning" scheme most cases of a flagrant and extravagant nature which have no relation to the course of legitimate business. Such cases were defined in sect. 31 (1), paragraphs (*a*) and (*b*), of the Finance Act, 1927, and require no further description. It also exempts new companies in respect of their first two years trading, companies which are being liquidated in respect of their last two years trading, and existing companies where there has been a substantial alteration in the shareholding or in the nature of the business conducted. This is in order to prevent companies from being formed, acquired and/or liquidated for the purpose of benefitting under the proposals.

The chief argument against this "warning" scheme is that it might be regarded as an open invitation to over-reserve in one year, though it should be realised that any over-reservation in any particular year would be taken into account for the purposes of a "direction" (or assessment) in a subsequent year, and that the "direction" (or assessment) might be continued yearly until the over-reservation is exhausted. The Inland Revenue, therefore, would only be postponing the assessment and collection of super tax.

The scheme, having been unanimously approved by the Joint Committee, was then submitted to a committee of Members of Parliament who are taking a special interest in this question, and received that committee's unqualified approval. It was then discussed with the Board of Inland Revenue, and subsequently placed before the Chancellor of the Exchequer by deputation.

The Chancellor's View.

The Chancellor told the deputation that they were under an entire misapprehension as to the aim, object and effect of the section. It had been made abundantly clear in Parliament, both by himself and the Attorney-General, that it dealt only with the avoidance of super tax by transactions and arrangements which were outside the course of legitimate and ordinary business. It had no relation to the reserves made by any company in pursuance of a thrifty, far-sighted, straightforward business policy. This being the position, "warnings" were out of place, and remission of penalties could not be entertained. It was his earnest desire to meet the considered views of industry if a workable scheme were forthcoming, but the deputation must realise what was the scope of the Act as it stood. He, therefore, asked the Committee to resume discussions with the Chairman of the Board of Inland Revenue with the idea of hammering out joint proposals which would be mutually acceptable.

The Joint Committee has since interviewed the Chairman of the Board of Inland Revenue, and, as the result of discussions, it is hoped that a clause will be agreed providing that a "direction" under the section must be given within a limited period, say —— months, from the date of the delivery of the accounts to which such "direction" relates.

By this means the insecurity due to a possible retrospective assessment in some future year will be prevented, and one of the most serious defects of the present legislation will be removed.

The Society of Incorporated Accountants and Auditors.

43rd ANNUAL GENERAL MEETING.

THE 43rd Annual General Meeting of the Society was held at Cordwainers Hall, London, E.C., on Tuesday, May 22nd, 1928.

Mr. THOMAS KEENS, President of the Society, occupied the chair, and was supported by Mr. HENRY MORGAN, Vice-President, and the following members:—Mr. Frederic Walmsley, J.P. (Manchester), Sir Charles H. Wilson, LL.D., M.P. (Leeds), Mr. Charles Hewetson Nelson, J.P. (Liverpool), Mr. Arthur Edwin Woodington (London), Mr. William Claridge, M.A., J.P. (Bradford), Sir James Martin, J.P. (London), Mr. George Stanhope Pitt (London), Mr. William Bateson (Blackpool), Mr. Henry John Burgess (London), Mr. Duncan Edward Campbell (Wolverhampton), Mr. Arthur Collins (Liverpool and London), Mr. Edward Cassleton Elliott (London), Mr. Walter Holman (London), Mr. Ernest Tritschler Kerr (Birmingham), Mr. James Paterson (Greenock), Mr. William Henry Payne (London), Mr. Arthur Edwin Piggott (Manchester), Mr. James Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. Arthur Herbert Walkey (Dublin), Mr. Edward Whittaker, J.P. (Southampton), Mr. William McIntosh Whyte (London), Mr. W. H. Ashmole (Swansea), Mr. W. J. Back (London), Mr. J. H. Bailey (London), Mr. D. H. Bates (Stoke-on-Trent), Mr. H. W. Batty (London), Mr. H. E. Booty (London), Mr. J. S. Brittain (London), Mr. J. Paterson Brodie (Stoke-on-Trent), Mr. A. J. Carey (London), Mr. H. Epton Chapman (London), Mr. A. Chadwick (Manchester), Mr. F. E. Clements (London), Mr. F. L. Cooke (London), Mr. E. A. Coombs (London), Mr. P. Craven (London), Mr. J. H. Croydon (London), Mr. T. N. T. David, B.A. (Cardiff), Mr. T. W. Dresser (Leeds), Mr. F. J. Duck (London), Mr. A. H. Edwards (Dorchester), Mr. H. J. Eldridge (London), Mr. A. R. King Farlow (London), Mr. P. Farnworth (London), Mr. E. A. Fox (London), Mr. D. F. Goode (London), Mr. J. Pearson Griffiths (Cardiff), Mr. J. H. Grove (London), Mr. A. Hannah (Liverpool), Mr. W. H. Heley (London), Mr. W. J. Holman (London), Mr. A. H. Hughes (London), Mr. W. J. Jackson (London), Mr. John James (London), Mr. E. Furnival Jones (London), Mr. P. G. Jones (London), Mr. A. T. Keens (London), Mr. H. C. King (Eastbourne), Mr. H. J. Lester (London), Mr. E. Luff-Smith (London), Mr. J. W. Lussignea (London), Mr. E. McLellan (London), Mr. H. McLellan (London), Mr. L. G. Mansfield (London), Mr. S. Grave Morris (London), Mr. Wm. Morris (London), Mr. H. A. Merchant (London), Mr. D. J. Middlemiss (London), Mr. T. O. Morgan (Swansea), Mr. R. O. Naylor (Kendal), Mr. W. G. Olliffe (London), Mr. George Palmer (London), Mr. Halvor Piggott (Manchester), Mr. L. H. F. Pinhorn (London), Mr. T. Harold Platts (Birmingham), Mr. J. A. Plumpton (London), Mr. H. H. Reasbeck (London), Mr. H. Reynolds (Bradford), Mr. G. F. Richardson (London), Mr. F. A. Roberts (London), Mr. A. J. H. Shay (London), Mr. R. F. Silvester (London), Mr. T. Holt Soul (London), Mr. P. H. Stafford (London), Mr. A. H. Stevens (London), Mr. Wm. Strachan (London), Mr. John Telfer (Newcastle-on-Tyne), Mr. E. J. Waldron (Southampton), Mr. Percy H. Walker (Cardiff), Mr. S. I. Wallis (Nottingham), Mr. C. E. Wells (London), Mr. G. W. Wheeler (London), Mr. Richard A. Witty (London), Mr. F. Woolley (Southampton), Mr. H. C. Wright (London), Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary), Mr. Alexander A. Garrett, B.Sc., B.A., F.C.I.S. (Secretary).

President's Address.

Ladies and Gentlemen; It gives me much pleasure to move the adoption of the forty-third annual report and accounts. The year has been one of steady and substantial progress, and the annual report, as is customary, contains a record of the Society's activities, a print of which has been sent to each member.

There are, however, a few matters mentioned in the report to which I desire to direct your attention before proceeding to questions of wider interest.

COUNCIL.

It was with much regret that the Council received the resignation from the Council of their colleague, Mr. F. Ogden Whiteley, the City Treasurer of Bradford, which he felt obliged to tender following medical advice. Mr. Ogden Whiteley brought to his work on the Council a wide experience of public affairs, sound judgment and fruitful suggestion. We thank Mr. Ogden Whiteley for his services to the Society, and our best wishes go with him.

The Council have also received an intimation from Mr. Richard Smith, of Newcastle-upon-Tyne, that he does not wish his name to go forward for re-election to the Council. Mr. Richard Smith has taken part in the Society's work as a member of the Council for a period of nearly thirty years, for which we express our grateful thanks.

Since the issue of the report, I regret that Mr. Richard Leyshon, of Cardiff, following medical advice, feels he must withdraw his name for re-election as a member of the Council. Mr. Leyshon has been actively interested in the Society during the whole of his professional career, and we wish him a speedy restoration to health, and acknowledge the very valuable services he has rendered.

BRANCHES AND DISTRICT SOCIETIES.

The Council have devoted considerable time and attention to the consideration of the Society's organisation throughout the country, and they have received the advice of the Branches and District Societies at half yearly conferences held in London, and also through personal visits of the Vice-President, myself or other members of the Council.

The Council have formulated a Branches and District Societies scheme, having for its objects the development of the work of Branches and District Societies. It was hoped to place this matter before you in further detail to-day, but

circumstances have arisen which compel the Council to defer the matter for a limited period. It is our intention to submit later on at Extraordinary General Meetings resolutions to authorise certain necessary alterations to the Society's Articles to give effect to the scheme. A more detailed statement will then be circulated to the members.

In the meantime I wish to express my thanks to the Committees of District Societies who have so willingly co-operated in the preparation of this scheme, and I know I shall carry them with me in asking for a short postponement of its consideration and approval by the members.

PARLIAMENTARY MATTERS.

During the present session the Central Association of Accountants, Limited, presented petitions to Parliament against fifteen Bills of municipal corporations and statutory companies containing audit clauses in which, following precedent, the appointment was limited to Chartered or Incorporated Accountants. The petitioners claimed that the standard of qualifications of their members was as high as that of Chartered and Incorporated Accountants and, therefore, their members ought not to be excluded from holding such appointments.

The Institute of Chartered Accountants and the Society of Incorporated Accountants petitioned Parliament in support of the audit clauses and against alterations. The issue was taken on the Gloucester Corporation Bill before a Select Committee of the House of Lords, and their Lordships approved the clause in the Bill as drafted, and made an order that the Central Association of Accountants, Limited, should pay nine-tenths of the costs incurred by the Corporation by reason of their opposition. Following these proceedings, the remaining fourteen petitions deposited by the Central Association were withdrawn.

The Stoke-on-Trent Corporation promoted a Bill this Session, in which the audit clause provided for the appointment of "Members of the Institute of Chartered Accountants or of the Society of Incorporated Accountants and Auditors or other recognised Associations of Accountants." The Institute and Society jointly petitioned Parliament for amendment by the omission of the words "or other recognised Associations of Accountants" as being contrary to well-established precedent. Petitions against alterations were lodged by the London Association of Accountants, Limited, and the Corporation of Accountants, Limited. Evidence was tendered before the Committee by the London Association of Accountants, Limited, but Counsel for the Corporation of Accountants, Limited, intimated that he was not in a position to call witnesses. The Local Legislation Committee decided that the words "or other recognised Association of Accountants" must be deleted from the clause. The Committee also expressed the view that any association of accountants desiring to be included in future audit clauses of Bills must petition Parliament in the usual manner.

I ought to draw attention to the fact that, outside the bodies of Chartered and Incorporated Accountants, there are no fewer than seven different associations of accountants in England and Wales, Scotland and Ireland. Some of them have quite recently been established, and I see nothing to prevent the formation of a further number by the simple process of registering companies purporting to represent accountants. Can it be said that the continuance of this bewildering and uncertain state of affairs is in the public interest? (Hear, hear.)

THE COMPANIES BILL, 1928.

The Companies Bill, introduced into the House of Lords last year, is now before the House of Commons. As you know, it is based upon the Report of the Company Law Amendment Committee of 1926. I believe that the passage of the Bill into law will bring about certain changes in company practice which are to be cordially commended. I have no doubt that some of us may have certain criticisms of this or that portion of the Bill. But, subject to the suggestion of certain amendments (some of which have been accepted), the Council have supported the Report of the Greene Committee in regard to the Bill. I mention this because a large number of far-reaching and, in my opinion, unsuitable amendments were put down on the order paper in Committee of the House of Commons, the acceptance of which, in our view, would have had a detrimental effect on the position of auditors and on company practice generally.

In Committee considerable discussion took place as to the qualifications of auditors. The Company Law Amendment Committee, on which the profession was suitably represented, did not make any recommendation in regard to the qualifications of auditors. The discussion in Committee, however, indicated that Members of Parliament were aware of the importance of this question, and the opinion was somewhat freely expressed that only Chartered and Incorporated Accountants were properly qualified to undertake this work. The Government have not accepted any amendment to this effect, but the trend of the discussion in Committee is of interest and importance from the public as well as the professional standpoint.

PEACE IN INDUSTRY.

It is a matter of gratification that since I last addressed you a new spirit has developed in industry, the quickening effect of which is already being felt. Men of all shades of opinion have come to realise that it is only by the continual increase of output, by the reduction of costs, by the establishment of new industries and the re-organisation of old ones, that the economic position of the country can be improved. There is an increasing need for the further systematic collection and collation of facts and information as to the production of different undertakings, and as to the contribution which they are making to the economic life of the country. I do not mean the mere compilation of useless records, but the preparation, under professional guidance, of succinct information, which I claim to be a prime necessity, whether that information applies to a small business or whether it applies to a whole industry. Of course, we readily realise the difficulties. It is not to be expected that business men will be disposed to disclose information for publicity purposes unless they can be satisfied that it will serve a practical business purpose. It seems to me such information can only be collected by some independent authority, and that the published results must be limited to industry generally or to large sections of industry.

I am satisfied that there must be an increasing demand for accounts and statistics, which will be accepted without question as the basis of negotiations in business and industrial problems, when certified by Incorporated Accountants. The younger generation of Incorporated Accountants particularly are strongly advised to study the problems of industry in

order that their professional efficiency may be equal to any demands that may be made upon them. I would call attention to the views of Dr. W. H. Coates, Examiner to the Society in Statistics and Economics, on "The Trend of Industry" and the importance he attaches to precise information compiled under the direction of experts.

Arising from the consideration of industrial questions, I would again draw attention to the importance of costing, because I believe that in industry generally, further consideration ought to be given to the improvement of costing. As an example, I may mention that in the printing trade the Federation of Master Printers devised a system of costing many years ago. While it has been extensively adopted, particularly by large firms, the smaller shops have not taken up the system as readily as they might. Apparently they believe it to be a part of a price-fixing scheme, which, however, was not the case, the sole purpose being to improve costing methods. I think that Incorporated Accountants are in a special position to co-operate in the introduction of up-to-date costing methods in this and other industries. (Hear, hear.)

CHANGES IN INDUSTRY.

In my address to you in Manchester last autumn I referred to the movement towards industrialisation of that part of England South of the Trent. Since then public attention has frequently been drawn to this expansion, which is attributable to important new industries, or to the absorption and expansion of existing plants by those large industrial organisations with which we have become familiar. How does this change affect the small manufacturer and trader, to whose position I drew attention last year? In my opinion he, too, is participating in this new development, though his efforts and opportunities are not proclaimed as they might be. My views concerning "small business" (as opposed to "big business") have been re-echoed in a number of responsible quarters. I am aware of the strong case made for rationalisation, which its advocates claim to be the application of scientific methods to the organisation of industry. On the other hand, "rationalisation," to some minds, is but a new term for the more old-fashioned form of combination, which was popularly supposed to be contrary to public policy, if not of sound economics. This view, we must admit, has been modified, and rationalisation is being studied and practised in a new atmosphere. But can we overlook the far-reaching effects of the constant rationalisation of industry? The individualism of British industry and commerce must tend to become more and more obscure under a system of rationalised industry. In spite of the continued absorption of smaller undertakings by large combines, I entertain high hopes for the small business and the small manufacturer in his own particular field; he is still the nation's bulwark against the ever-encroaching tide of trustification.

It is interesting to see that in the returns of revenue up to April 5th, 1928, the yield of income tax increased, while the yield of super-tax decreased. We may assume that a substantial portion of the additional income brought under review for income tax purposes represents the earnings of the small manufacturer and trader, and generally indicates an improvement in his position.

My general view in regard to small business is fortified by the recent and prospective increase in the generation and distribution of cheap electric power. Steam power cannot be widely distributed and can only be produced economically on a fairly large scale. Steam power, therefore, favours large units of production, while electric power favours smaller units of production. Cheaper electricity will enable the small manufacturer to improve his methods of production and reduce his costs.

Mass production and large production have their own spheres, but the small trader and manufacturer have theirs too. Mass production may mean cheapness, but mass produced goods are characterised by uniformity and monotony, while quality, variety and artistic perception are more likely to be found in the products of the small manufacturer. Of course, mass production offers great advantages in certain industries, but we should not let rationalisation, amalgamation and mass production overwhelm the essential individualism of British industry.

THE AUDIT OF MUNICIPAL ACCOUNTS.

I will now invite your consideration to the present position in regard to the audit of municipal accounts, a question to which my thoughts are particularly directed by recent decisions in Parliament and by the rating and other reforms in Local Government promised by the Chancellor of the Exchequer.

The Municipal Corporations Act of 1882 provided for the appointment of an auditor to be nominated by the mayor and two auditors to be elected by the ratepayers. The qualifications of the auditors were not prescribed, but it must be remembered that at that time the accountancy profession was in its infancy. The Institute was only two years old and the Society was not formed until three years later.

In the subsequent twenty years the activities of local authorities extended in all directions, particularly with the adoption of municipal trading. A Joint Select Committee of both Houses of Parliament in 1903 condemned the system of elective auditors and of district auditors, and recommended that the accounts of all local authorities should be professionally audited by Chartered or Incorporated Accountants, as had already been provided for by eight municipal corporations. Sixty-six cities and municipal boroughs have now taken power by local Act or otherwise to appoint professional auditors who must be Chartered or Incorporated Accountants, and in some cases the elective auditor has been eliminated altogether.

With regard to the district audit, I will confine my observation to this, that an official audit is not suitable for the accounts of trading undertakings and of other responsibilities discharged by municipal corporations. Exceptionally few boroughs have adopted the system of audit by district auditors of the Ministry of Health, but by general Acts the whole of the accounts of county councils and urban district councils are in the hands of district auditors. We have, therefore, at the present time professional auditors, district auditors, elective auditors and mayors' auditors—a patchwork system of local audits unrelated to any definite principle and involving some overlapping.

I am indebted to a colleague on the Council for some particulars in relation to the actual practical working of the elective audit system the summary of which is as follows:—

> An inquiry into 63 cases showed that the elective auditors are not usually qualified accountants, and several borough councils have taken power by Private Act to abolish elective auditors. There is generally no competition for the office of elective auditor and a negligible percentage of ratepayers take the trouble to vote. Further, in the majority of cases professional auditors were appointed additionally or in substitution of elective auditors.

I may add the opinion was expressed in 23 cases that the elective auditor was of no real value; he was regarded as an unnecessary duplication and served no useful purpose where there was a professional audit.

What useful purpose can such a system serve? The system of elective auditors is an anachronism and ought to be abolished.

I would like to point out that there is practically no official or elective audit in Scotland, my information being that all the accounts of local authorities in Scotland (excepting the Education Authorities) are audited by professional auditors. This satisfactory state of affairs is no doubt the result of the traditional and influential position of the accountancy profession in Scotland, which has been established for nearly three-quarters of a century.

THE PROBLEM OF THE RATES.

At the Manchester Conference in September last I dealt with the problem of local rates. My paper contained several illustrations of their effect upon certain industries, based on information supplied to me by my brethren in the profession, and on my own experience as Chairman of the Finance Committee of a County Council. My argument was that the overwhelming proportion of the expenditure of County Councils, City and Borough Councils, and similar bodies, arose from duties imposed by various Acts of Parliament for which no adequate financial provision was made by Parliament. An increase in the amount of the rates levied was, therefore, inevitable.

The views expressed at Manchester, backed as they were by very strong evidence, have, in common with other pronouncements on similar lines, served to awaken interest in the question. It is satisfactory that the Chancellor of the Exchequer has realised the importance of the question and has entirely changed his point of view. In introducing last year's Budget, his argument was that, as Chancellor, he was entirely at the mercy of the local authorities, who incurred expenditure and merely left him to pay a proportion by way of Government grants. From his recent Budget speech it appears that Mr. Churchill now appreciates the urgent need for rating relief and reform, and has proposed that assistance to the local authorities from the Imperial Exchequer to an amount of Twenty-nine millions annually shall be made as and from October, 1929. This amount is to be applied to relieve productive industry of 75 per cent. of the rates to which it is subject, and agriculture will be rate-free.

It has previously been contended that the operation of the present rating system on industry is cumulative, the cost of the rates in one process being reflected into the next, and so on to the finished product. The effect of any scheme of rating relief, therefore, must be to relieve industry throughout the entire chain. It is impossible, however, at this stage to commend warmly a scheme in the absence of full particulars as to the detailed financial provisions upon which the whole of the proposals rest. The substitution of block grants for percentage grants may operate very much to the disadvantage of the general ratepayer, if the grants are inadequate for normal requirements. The experience of the past makes anyone who has had the responsibility for the finances of a local authority extremely suspicious. Every change that has been made has been in the nature of a transfer of the burden from the Imperial Exchequer to the local authorities and, even supposing the block grants to be adequate at the commencement, it is obvious that any increase of expenditure within the period will be entirely at the expense of the general ratepayer. This, it may be argued, will be a real inducement to economy on the part of the local authority, but, on the other hand, it must be borne in mind that the natural consequence of a higher civilisation is the development of communal services and the provision of further amenities.

THE STATE OF TRADE.

We are told that there are distinct indications of a movement towards improvement in trade, but we do not want a boom with its inevitable reaction. The approximate figures of imports and exports for 1927 as compared with 1925 are as follows:—

Imports.

1925.	1927.
£1,321,000,000	£1,219,000,000

Exports.

£927,000,000	£832,000,000

The year 1926 is of course excluded as the year of the general and coal strikes, which makes that year useless for comparative purposes; but it must be remembered that business conditions in 1925 were not generally good. The figures relating to unemployment are still unsatisfactory and show that many unemployed must be absorbed in industry before the Unemployment Insurance Fund can be acturially sound. In the meantime there is evidence that the industrial boom in the United States is slackening. Already the figures of unemployment in that country indicate that America will have to face the problem with which this country has become familiar. It is interesting to learn that attention is being directed in the country towards the methods of insurance already adopted by us.

The period of unemployment will test a number of ideas about which opinion on this side is not altogether convinced. I will refer to two of them. First, it has been firmly held in America that there is no such thing as "saturation point" so far as the demand for commodities is concerned. Rather it is believed that wants can be created, trade stimulated, and output indefinitely increased. Secondly, in America, the instalment purchase system has reached proportions undreamed of in this country. It has been claimed that purchase on extended credit has stimulated the prosperity of the country, and has been a material factor in spreading trade evenly over the year. But with a large portion of the community involved in commitments up to three years, unemployment may create problems the nature and extent of which it is difficult to foresee. It will be a testing time for both these ideas and the conditions will be watched with the greatest possible interest on this side. The results cannot fail to have far-reaching consequences.

THE FUTURE OF THE PROFESSION.

Speculation as to future events is always a fascinating occupation. The large number of entrants into the profession through the principal bodies leads me to consider the question of their absorption and remunerative employment. A new phase has been given to the matter by the recent report of the Liberal Industrial Enquiry. The Society knows no politics, and I only mention the report, following references thereto in the columns of the *Incorporated Accountants' Journal* and the *Accountant*. But it is significant that the stabilisation of the accountancy profession should have become a public question, and that the report should recommend the fusion of the Institute of Chartered Accountants and the Society of Incorporated Accountants. We recognise that the organisation of accountancy calls for serious consideration, if the profession is to be placed on a rational basis. The public interest demands that leadership and statemanship should be shown in the existing governing bodies, which should seize whatever opportunity may present itself to consolidate the accountancy profession.

CONCLUSION.

It is a source of satisfaction to my predecessors and myself that at each succeeding annual meeting the work of the immediately preceding twelve months has presented some

feature of progress, giving rise to increasing hopes for the future. I am in a particularly happy position to-day to speak with the utmost confidence of the future of Incorporated accountants. (Applause.)

Parliament has continued to maintain the standard of Chartered and Incorporated Accountants as the standard of professional qualification. We have seen many signs of the increasing public regard for Incorporated Accountants. Sir James Martin, with the co-operation of our Overseas brethren, has established a spirit of goodwill in the accountancy profession in the Union of South Africa. Finally, I hope that in the near future we shall mark in a signal manner the beginning of a further era of progress for Incorporated Accountants, who, placing at the disposal of the community an increasingly valuable professional service, will contribute to that prosperity upon which we confidently hope our country has entered. In all our endeavours, I rejoice at the loyal co-operation and zeal of my Vice-President, and of all my colleagues on the Council, of the Society's Legal and Parliamentary advisers, of the Secretary, the Parliamentary Secretary and the Head Office Staff, of the officers of the Branches and District Societies at Home and in the British Dominions, and of the general body of members throughout the Society, upon whose never-failing enthusiasm and loyalty I can always rely. (Loud applause.)

I formally move the adoption of the Report and Accounts for the year 1927, and I will ask Mr. Henry Morgan, the Vice-President, to second the motion.

The VICE-PRESIDENT (Mr. Henry Morgan): I beg to second the motion.

Discussion.

Mr. A. J. CAREY (London): When I say that I have listened this afternoon with very great interest to the address of our President I am sure that I am voicing the feelings of every member of the Society here present. (Hear, hear). Apart from matters of purely personal and domestic interest contained in the address, I think you will agree with me that we have listened to a broad and statesmanlike review of outstanding questions of interest to the Society, which we have been led to expect year by year in the address of the President. There is an increasing tendency in the commercial world for people to anticipate with curiosity the utterances of outstanding figures in the business and professional world. At the beginning of every year the addresses of the chairmen of the big banks are looked forward to with great interest, and I think in no less degree the presidential addresses to societies such as ours, are looked forward to, criticised and discussed by commercial people generally. There are many points of interest in the address to which we have listened this afternoon, but even if I were able I do not propose to start a discussion on any of these, because I do not think I should be serving the best interests of the meeting. But there is just one matter which I would like to mention. Our President, in his address, spoke of the enthusiasm and loyalty of the ordinary members of the Society. Now, I am sure we all agree that while our President and the Council carry on the affairs of the Society with such signal success, their labours would be in vain if it were not for the standard of loyalty which every ordinary member of the Society must keep before him. (Hear, hear.) In these days the accountancy profession is in rather a bewildering state with all the new societies that are springing up, but if we—the men and women in the Society, the people on the floor of the hall—if we remember that when we call ourselves Incorporated Accountants people expect from us a standard of integrity, personal honour and ability, then I think that by maintaining that standard in our everyday work we shall be furthering more than we know the interests of the Society. (Hear, hear.)

Mr. P. H. WALKER (Cardiff): One always hesitates in passing any criticism on the President's addresses, because his addresses are always of such an extraordinarily high standard, but I was rather sorry this afternoon that there was no direct reference to the subject of registration. It is true the President referred to it indirectly when he spoke about the consolidation of the profession, and also more indirectly still when he was considering the prospects of the younger members of the profession. But, having regard to the proceedings on the Gloucester Bill and the Stoke-on-Trent Bill, and bearing in mind the seven associations the President has mentioned, surely the time is ripe, and very ripe, when we should once more go, and go wholeheartedly, for the policy of registration. I am afraid I may be thought to be flogging this question in season and out of season, but I am here as a spokesman for the younger practitioners, and we feel that registration, and registration only, is the key to the solution of the present position.

Mr. R. A. WITTY (London): Mr. President; I should like to say that you have the sympathy of all the members present in having to cut out of your Presidential address references to the question of the Society's headquarters and the question of the District Societies scheme. You have whetted all our appetites with regard to those two points. I think that the playing of Hamlet without a ghost must be quite an easy task compared with the presentation of a Presidential address which is shorn of what I am sure would be its two principal glories. But we understand that these matters are coming up for consideration at a subsequent meeting. I am not, therefore, going to refer to the Society's headquarters, but with regard to the District Societies scheme I am wondering whether you can, without any breach of confidence, tell us if that scheme is going to deal adequately with the representation of London in any organisation of District Societies? (Hear, hear.) But what has been omitted from your address, Mr. President, need not blind us to what is recorded in the annual report as to the achievements during the year 1927. It is very obvious that in Parliamentary circles the Society's representatives have been particularly active. Although you did not use the words, Mr. President, I think all the members will be inclined to agree with me that you have once again proved that the Society has placed every Incorporated Accountant in an impregnable position in the eyes of the whole world. (Hear, hear.) That itself, I think, is a very great achievement, and one that is going to bear still finer fruit in the immediate future. I think this is the only occasion, Mr. President, when I remember listening to an address from the chair without any reference to the accounts or the balance-sheet. I do not know if it was done deliberately, but there was no reference to the accounts—unless sleepiness overcame me and I missed it. (Laughter.) But I do think the accounts call for some little comment from the President. I am not here to criticise items, and I have no intention of doing so, but when we find that the total expenditure of the Society has increased by some £2,400 as compared with the year 1926, I think it is only natural that the members should ask you in general terms for some explanation as to why that increase has arisen. In putting that question I have in mind, Mr. President, that when the fees were increased some three years ago there was a general hope that the additional income which would arise from that increase might be available for the building fund, which is going to become so important, probably within the next year or two. I have one other note of a somewhat sad character, and I am sure you

will forgive me if I refer to it. I think we should like to express here our very great regret at the passing away of our old London friend, Mr. W. D. Elgar. Mr. William D. Elgar, who unfortunately died at the beginning of this month, was known very intimately to all our London members. He frequently addressed the members of the London Students' Society, and he was a man who was held in the highest respect and esteem by everybody with whom he came in contact. (Hear, hear.) The matter comes home to me particularly this afternoon because I have always attended these annual meetings in company with Mr. Elgar; I have done so for probably the last twelve or fifteen years without a break. I mention this, Mr. President, because I am sure that his widow will be glad to know that we as a meeting expressed our great regret at his early call and our condolence with her in the great loss she has suffered. (Hear, hear.)

Mr. G. PALMER (London): It is a great pleasure to me to rise to support the President, Council, advisers and staff who have worked so harmoniously and laboriously for the welfare of the profession and of this Society in particular. I am glad to see a sprinkling of young members on the Council, and I think it reflects the wisdom of the older members in co-opting them. We want young blood in a Society like this if we want anything. There is another thing which stands out strongly, and that is the splendid co-operation between the Parliamentary Committees of the Institute and of the Society, and the excellent work they do through this co-operation. I should like that co-operation to extend to a subject which I have raised before in these gatherings, and that is the subject of advertising. At the meeting of the Institute of Chartered Accountants the other day one of our colleagues referred to it, and they said that they had done a good deal, because in the *Times* last year (a special edition) there was a history of the accountancy profession. Well, that was quite good; it was excellent so far as it went from an advertising point of view. But what I want to impress upon you at the moment is this: we often talk about not being able by our rules and regulations to advertise. Now I want to impress upon the Council that if we cannot advertise—if we clip the wings of our young members, the rank and file of the profession, who are growing up into the work, by not allowing advertising—then we must, I think, advertise the fact to the world that we are not allowed to advertise. I hope you understand me, gentlemen. Instead of spending £500 on a history of the profession, we should do some constant advertising alongside those outside of us who advertise daily and hourly in order to get our work. I want a militant aggressive policy to be adopted with regard to this advertising, the kind, of course, that our friend, Sir Charles Wilson, can adopt and carry out so well. (Laughter.) It is no use saying that the public know. The public do not differentiate—there is no gainsaying the fact. There is one other point, Sir, that is on my mind, and that is with regard to our Benevolent Fund. A good many members know that we possess a Benevolent Fund, because they are very generous, and we receive their subscriptions, but our Benevolent Fund is not really a component part of our institution. When I read Sir James Martin's appeal for the Benevolent Fund, I said to myself, "He would be a tremendous success if he were appealing for King Edward's Hospital Fund." I contend that during the working years of the life of an Incorporated Accountant he ought to contribute to the Benevolent Fund. Not just a few members, but everybody. I am advocating, and I contend that we should have, a fund worthy of our great profession, and I advocate the allocation of part of our subscriptions to that fund. We shall very shortly, I hope, complete the headquarters fund that has been spoken about to-day, and for which we increased the subscriptions. I think when we have done that we should be able to give more attention to our Benevolent Fund. No member or his family, when proved to be deserving, should be exposed to the biting winds of charity or pauperism. (Hear, hear.) If you go to another class of the community—what I will call the privileged class now—you find that they have State assistance, National benefits, National Insurance, Unemployment Insurance benefits and Pension benefits, all of which are contributory. The principle is thoroughly and well established. But it is not so in regard to accountants. They are the hardest worked and, perhaps, the most badly paid of all. (Laughter.) And yet, in the rank and file of accountancy where will you find better citizens of Empire than Incorporated Accountants? (Hear, hear.)

Mr. F. WOOLLEY (Southampton): I am glad to take the opportunity of expressing appreciation of the good work that has been done on behalf of the members of the Society. We are apt on occasions to indulge in criticism pretty freely, but I am quite sure that that criticism is prompted by goodwill and by a desire to secure that which is best in the interests of all concerned; and this Society, its Council, its President, or any other representative part of it, has never, to my knowledge, resented friendly and constructive criticism. With regard to the accounts, Mr. President, I do feel that some explanation would be very welcome to the members. I believe there may be a very excellent and sufficient explanation, but it would be useful to all the members to have it. I refrain from saying anything in regard to the prospective development of the work of the District Societies beyond this, that I hope the postponement which has become necessary will not prove to be a long postponement, but that it will be possible ere long to bring to fruition the work of the last year or two, which we are quite confident will prove beneficial to the Society.

Mr. D. H. BATES (Stoke-on-Trent): Mr. President, I should like to mention with regard to the Stoke-on-Trent Bill, that we were delighted with the fight this Society put up, in conjunction with the Chartered Accountants, on the particular clause in the Bill which so much affected us. (Hear, hear.)

Mr. W. H. ASHMOLE (Swansea): As President of one of the junior District Societies, I strongly support the adoption of this report. We in our district have been delighted with the interest the Council have taken in Incorporated Accountants in scattered areas. We have had visits from the Vice-President and another member of the executive, and we have been delighted with those visits. It shows us that the Council of this Society is determined at any rate to do what the members of the Society think they should do—maintain the prestige of Incorporated Accountants. While we strongly support the view which is being taken with regard to the London headquarters, we feel that it is equally important that the districts throughout the country should be strongly supported. I was greatly interested in the President's remarks with regard to the Gloucester Corporation Bill and the Stoke-on-Trent Corporation Bill. I think we should attach more importance to those matters even than to the President's address; it shows that the status of Incorporated Accountants is continually growing. I should like to say how much we appreciate the services we receive from headquarters. Everything we require from the Secretary of the Society is responded to generously and quickly.

The PRESIDENT: If no one else wishes to address the meeting I will ask Mr. Hewetson Nelson, the Chairman of the Finance Committee, to reply to the queries raised with regard to the accounts.

Mr. C. HEWETSON NELSON (Liverpool): Mr. President; no one regrets more than I do, as Chairman of the Finance Committee, that the balance for the year 1927 shows a drop of about £1,200 compared with the balance for the previous year. On the other hand, it is to be emphasised—and this point was alluded to by Mr. Palmer in his remarks—that practically the whole of the increase in the expenditure is due to the fact that the Council, under the inspiration of the President, have adopted a policy of increased publicity. That policy has cost a considerable amount of money, but we believe that it will bring back its reward to the individual members of the Society throughout the country and will be fully justified. (Hear, hear.) We are taking every step we can take at the present time towards economies, in view of what is looming in front of us, but I am perfectly sure that I speak the mind of every member of the Council and of the Society throughout the country, so far as they have had an opportunity of judging, when I say that one of the great things that we have done during the year has more than justified itself—I refer to the appointment of Mr. Alexander as Parliamentary Secretary. (Hear, hear.) The office work of the Society has grown enormously, and at the present time we are not in any way overstaffed. In Mr. Garrett and Mr. Alexander we have two most excellent officials, and I believe with their assistance the Society will continue to go forward and prosper as it has done in the past. If you analyse these expenses you will find that what I say is perfectly true—that of the net decrease of £1,200, the whole, or rather more than the whole, is due to the new policy which has been adopted by the Council largely at the instigation of the members as reflected in their speeches at previous annual meetings. (Applause.)

The PRESIDENT: May I now sum up the discussion? Mr. Witty asked for an assurance with regard to the position of the London members under the District Societies scheme. I think probably the best way to put it would be to say that the organisation of the members in London and the Home Counties is the pivot on which the whole scheme turns, and it is believed that this will provide the most effective organisation for bringing them all together and utilising the very large number of members that there are for the good of the Society. Mr. Palmer referred to the necessity of advertising, and other gentlemen have called attention to the fact that we are spending money. (Laughter.) I think we can leave the one to answer the other. Mr. Nelson has explained to you very fully where the extra expense is, and it is impossible for me to go into it in detail; but I think everybody will agree, who has looked into the matter, that the Society has had infinitely more publicity during the last year or two, and you need not inquire too much about how it was done. (Laughter.) Mr. Woolley referred to the District Societies scheme, and I can give him the assurance that the meeting will be held within the shortest possible time, and when I say that I am not referring to months, but to weeks. It merely means that we have to be prepared for it, because we have, first of all, definitely to settle the question of finance arising out of the purchase of the Society's new headquarters. It will all come up together, because it forms part of a great whole. Here again I would like to say—and this deals with what Mr. Ashmole said—that the policy of the Council is that these matters shall be dealt with as a whole. We have not only to remember the centre, but the circumference. I am very glad to hear what Mr. Bates has said with regard to the Stoke-on-Trent Bill, and it is very desirable that I should acknowledge the services rendered to the Council and its advisers by him and Mr. Paterson Brodie during the course of these proceedings. They have been of the greatest possible value. (Hear, hear.) It is very pleasant to be able to say these things, because we sometimes feel that the enthusiasm of the members is not exactly what you would wish it to be, especially when you want to get something done. With these few remarks I thank all the gentlemen for what they have said with regard to my address, and I can assure them that it has been extremely pleasurable to me to work for the Society, although my colleagues on the Council will admit that in recent years it has become somewhat arduous. (Hear, hear.) I will now put the resolution that the report of the Council and the accounts for the year 1927 be adopted.

The resolution was carried unanimously.

ELECTION OF COUNCIL.

Mr. A. E. WOODINGTON: Mr. President, it is now my privilege to move: "That the following retiring members be re-elected members of the Council, in accordance with the provisions of Article 49:—London: Mr. William Henry Payne, Mr. Edward Cassleton Elliott, Mr. Walter Holman. Provinces: Mr. Duncan Edward Campbell (Wolverhampton), Mr. Alan Standing (Liverpool), Mr. Frederic Walmsley, J.P. (Manchester), Mr. Edward Watts Catherington Whittaker, J.P. (Southampton)." These gentlemen have rendered good service to the Society for some years, and by your favour, they will continue to give us the benefit of their work.

Mr. G. S. PITT: I have pleasure in seconding the resolution.

The PRESIDENT: I have already mentioned that Mr. Richard Smith and Mr. Richard Leyshon have retired and are not seeking re-election.

The resolution was then put to the meeting and carried unanimously.

Mr. C. HEWETSON NELSON: Mr. President, the members will be aware that under the arrangement with the Institute of Municipal Treasurers and Accountants, that body nominates two candidates for the Council. The report has already acquainted you with the fact that Mr. Ogden Whiteley, whose work on the Council was invaluable, had to retire during the year, and I have now much confidence in proposing that Mr. William Allison Davies, the Borough Treasurer of Preston, be elected to the Council to fill that vacancy. I have had the pleasure of knowing Mr. Davies for many years. He is the President of the Institute of Municipal Treasurers and Accountants, I believe, at the present time, but be that as it may, I am perfectly sure that we could not have a better representative of that side of the profession than we shall have in Mr. Davies. (Hear, hear.)

Mr. E. W. C. WHITTAKER (Southampton): It is my privilege and pleasure to second Mr. Nelson's proposition.

The resolution was carried unanimously.

APPOINTMENT OF AUDITORS.

Mr. H. A. MERCHANT (London): Mr. President and gentlemen; it is with the greatest pleasure that I propose: "That Mr. Robert Heatley, Incorporated Accountant, Manchester, be re-elected an auditor of the Society at a remuneration of 30 guineas per annum and travelling expenses to be paid in addition." I am sure that no words of mine are necessary to commend this proposition to you.

Mr. D. F. MIDDLEMISS (London): I have much pleasure in seconding the motion.

The resolution was carried unanimously.

Mr. D. F. GOODE (London): Mr. President and gentlemen; I beg to move:—"That Mr. Arthur Henry Hughes (Hughes and Allen), Fellow in Public Practice, London, be re-elected an auditor of the Society at a remuneration of 30 guineas per annum."

Mr. A. G. OLLIFFE (London): I have pleasure in seconding that.

The resolution was carried unanimously.

THANKS TO PRESIDENT.

Mr. F. WALMSLEY (Manchester): Gentlemen, we have another duty to discharge before we disperse, and that is to pass a vote of thanks to our President. Having been concerned for the last 42 years with various Presidents, who come and go, I claim to know something of the duties we expect from them. I may say this from actual knowledge, that of all the Presidents who have adorned this chair in the past, there is no one to whom we owe more loyal allegiance and more gratitude for services rendered than our present President. (Hear, hear.) He has spared himself no trouble in visiting the outposts of the work in the Provinces from time to time, and keeping them in good spirits. It would ill become me to say more than this, that we are grateful to him not only for the services he has rendered, as evidenced and reflected in the masterly speech he has delivered to-day, but for the general discharge of his duties in the Presidential chair and in the Council. With these few remarks I beg to move that we tender to him very heartily a vote of thanks for his services to the Society.

Mr. E. A. COOMBS (London): I beg to second that.

The resolution was carried with acclamation.

The PRESIDENT: Thank you very much, gentlemen, for this vote. I certainly have had a couple of strenuous years, but it is a very delightful thing to occupy this Presidential chair, in spite of the demands which are made upon one. Whatever may have been the constitution of the Council in bygone years, when I had no knowledge of it, since I have had the honour to be either your Vice-President or President, the members of the Council have been extraordinarily assiduous in attention to their duties, and have been willing to undertake outside work to assist the President and Vice-President. They have also, which is infinitely more important, always been willing to pay the greatest attention to the matters under consideration, and to bring their brains into the common stock with one single idea, and that is advancing the interests of the profession generally. (Applause.)

The proceedings then terminated.

43rd ANNUAL REPORT.

The Council have pleasure in submitting to the members their 43rd Annual Report.

NEW MEMBERS ELECTED.

During the year 1927 the names of 301 new members were entered upon the Society's roll, and 66 Associates were advanced to the degree of Fellow. At the dates of election they were resident in the following countries:—

	Fellow.	Associates.	Total.
England and Wales	1	247	248
Scotland	—	11	11
Ireland	—	6	6
South Africa	3	15	18
India	—	13	13
Straits Settlements	—	2	2
Egypt	—	1	1
Germany	—	1	1
Turkey	—	1	1
Total	4	297	301

ASSOCIATES ADVANCED TO FELLOWS.

England and Wales	52
Ireland	2
Australia	1
South Africa	4
India	5
Straits Settlements	1
South America	1
	66

The figures for the past three years are as follows:—

	1925.	1926.	1927.
New Members elected	307	260	301
Associates elected Fellows ..	56	100	66

NUMBER OF MEMBERS ON THE ROLL AT CLOSE OF YEAR.

The total number of members on the roll on December 31st last was 4,847, and consisted of 1,363 Fellows, 3,480 Associates and 4 Honorary Members. Two Fellows also held rank as Honorary Members.

OBITUARY.

The Council regret that the deaths of 56 members (28 Fellows and 28 Associates) were notified in 1927.

EXAMINATIONS.

The number of candidates at the Preliminary, Intermediate and Final examinations was 1,699, of whom 948 passed and 751 failed.

The following are the comparative figures for the past three years:—

	Total.	Passed.	Failed.
1925	1,518	844	674
1926	1,561	774	787
1927	1,699	948	751

Prizes and Honours Certificates were awarded to the following candidates:—

FINAL EXAMINATION.

1st Certificates of Merit—

Maxwell, Eric, A.S.A.A., Kirkcaldy (May, 1927) (*Prize*).
Cope, Ivor John, Doncaster (November, 1927) (*Prize*).

2nd Certificates of Merit—

Wyer, Edward Russell, A.S.A.A., Bury St. Edmunds (May, 1927) (*Prize*).
Nunnerley, Stanley Herbert, A.S.A.A., London (November, 1927) (*Prize*).

3rd Certificates of Merit—

Hartland, Isaiah, A.S.A.A., London (May, 1927) (*Prize*).
Paine, Norman, London (November, 1927) (*Prize*).

4th Certificates of Merit—

Perry, Charles Eben, A.S.A.A., Manchester (May, 1927).
Benjamin, Michael, London (November, 1927).

5th Certificates of Merit—

Howes, Philip Dennis, A.S.A.A., Birmingham (May, 1927).
Wood, Arthur Leslie, A.S.A.A., Hemel Hempstead (Nov., 1927)

6th Certificate of Merit—

Proudlove, Thomas, A.S.A.A., Birmingham (Nov., 1927).

7th Certificate of Merit—

Curry, John Hunt, Newport, I. of W. (November, 1927).

INTERMEDIATE EXAMINATION.

1st Place Certificates—

Scott, Percival Guy, Middlesbrough (May, 1927).
(Disqualified for Prize by age limit.)

Warren, Frederick, Camborne (November, 1927) (*Prize*).

2nd Place Certificates—

Winsor, Gregory, Rugby (May, 1927).
(Disqualified for Prize by age limit.)

Butchart, Thomas, Edinburgh (November, 1927) (*Prize*).

3rd Place Certificates—

Crone, George Rowland, Brighton (May, 1927).
(Disqualified for Prize by age limit.)

Currell, Robert Henry, London (November, 1927) (*Prize*).

4th Place Certificates—

Fothergill, Herbert Senior, London (May, 1927).

Fowler, Fred Denis, Leicester (November, 1927).

5th Place Certificates—

Wass, Frank, Doncaster (May, 1927).

Williams, Donald Freeke, Cardiff (November, 1927).

6th Place Certificate—

Hallam, Herbert Frederick, Newport, Mon. (Nov., 1927).

PRELIMINARY EXAMINATION.

1st Place Certificates—

Saunders, Kenneth, Middlesbrough (May, 1927) (*Prize*).

Porter, Edward Ernest, Swansea (November, 1927).

GOLD AND SILVER MEDALS.

The Council have awarded the Society's Medals for 1927 as follows:—

Gold Medal to Mr. Ivor John Cope, Doncaster.

Silver Medal to Mr. Eric Maxwell, Kirkcaldy.

CONFERENCE IN MANCHESTER.

On the invitation of the Manchester District Society of Incorporated Accountants a Conference was held in Manchester in September, 1927. An address was delivered by the President (Mr. Thomas Keens), and a paper was submitted by Mr. E. Cassleton Elliott (London) on "The Accountant and the Public."

At the Conference dinner the Society was honoured by the presence of the Right Hon. Lord Hewart of Bury, Lord Chief Justice of England (whose speech was broadcast), the Lord Mayor of Manchester, the Right Hon. Sir Edward Hilton Young, M.P., Mr. Merriman, K.C., M.P. (now the Solicitor-General), and leading representatives of the municipal, professional and commercial life of Manchester and district.

The Council have expressed the thanks of the Society to the Lord Mayor of Manchester, to the Manchester District Society, and to others for the hospitality accorded.

COMPANIES BILL.

A Bill to amend the Companies Acts was introduced by the Government into the House of Lords in 1927, and is now under consideration in the House of Commons. The Bill is based upon the Report of the Company Law Amendment Committee (1926).

The Council continue to watch the progress of the Bill and submitted proposals for a number of amendments, some of which have been accepted. The Council draw attention to the fact that under the Bill, no body corporate (but not including a firm in Scotland) shall be qualified to act as liquidator, auditor or receiver.

BILLS IN PARLIAMENT.

A number of Bills of municipal corporations and statutory companies received the sanction of Parliament in 1927, wherein provision was made for the appointment of Chartered and Incorporated Accountants as auditors. Further Bills of a similar nature are under consideration in the current session.

SOUTH AFRICA.

An Act known as "The Chartered Accountants' Designation Act, 1927 (South Africa)" passed the Union Parliament, under which members of the four bodies of accountants in South Africa are entitled to use the designation "Chartered Accountant (South Africa)."

In accordance with the wishes of the Council Sir James Martin, during the autumn of 1927, visited the respective centres of the Society in Cape Town, Johannesburg and Durban, and took counsel with the members. He also had the advantage of conferences with several leading accountants belonging to the societies which had promoted the Act referred to. As a result there is a prospect of an understanding for mutual co-operation in the interests of qualified members of the profession in the Union and Rhodesia.

The Council place on record their appreciation of the reception accorded to Sir James Martin, and to Mr. George Stanhope Pitt, who undertook a similar mission in the previous year. Certain proposals in regard to the Society's future organisation are under the consideration of the Society's Committees in South Africa.

ACQUISITION OF A BUILDING FOR THE HEAD OFFICE.

The Council have pursued negotiations in various directions with a view to acquiring a suitable site or building for the head office. The matter has presented considerable difficulty, but the Council hope to be in a position to acquire a suitable property at an early date.

BRANCH AND DISTRICT SOCIETY ORGANISATION.

The President, Vice-President, members of the Council and officers of the Society have visited Branches and District Societies in England and Wales, Scotland and Ireland, and, in addition, half-yearly conferences of representatives of District Societies have been held in London.

After consultation with the Branches and District Societies, the Council prepared a scheme for the improvement of Branch and District Society organisation. The scheme involves certain alterations to the Society's Articles, which the members will be asked to sanction at an Extraordinary General Meeting.

CONFERENCE OF ACCOUNTANTS IN MUNICH.

Following the International Congress of Accountants, Amsterdam, in 1926, the Council was represented by Mr. E. Cassleton Elliott and Mr. A. A. Garrett (Secretary) at a conference of accountants held in Munich in May, 1927, to which an invitation was received from the Verband Deutscher Bucherrevisoren.

PRESIDENT AND VICE-PRESIDENT.

Mr. Thomas Keens, of Luton, Bedford and London, and Mr. Henry Morgan, London, were unanimously re-elected to the respective offices of President and Vice-President at a meeting of the Council held in May, 1927.

PARLIAMENTARY SECRETARY.

The Council have created a new office, that of Parliamentary Secretary to the Society, and have appointed thereto Mr. John Russell Willis Alexander, M.A., LL.B. (Cantab.), Barrister-at-Law.

EXAMINERS.

The Council regret to record the death of Mr. Walter Haig Stevenson, M.A., LL.B., Advocate, Edinburgh, who had recently been appointed Examiner in Scots Law. The Council have elected in his place Mr. Charles B. Milne, M.A., LL.B., Advocate, Edinburgh.

AUDITORS.

The retiring auditors are Mr. Arthur Henry Hughes (London) and Mr. Robert Heatley (Manchester), who offer themselves for re-election.

COUNCIL.

At the last Ordinary General Meeting, Mr. Henry John Burgess (Fellow in Public Practice), London, was elected a London member of the Council, and Mr. Ernest Tritschler Kerr (Fellow in Public Practice), Birmingham, was elected a Provincial member of the Council.

The Council have accepted with regret the resignation of Mr. Feather Ogden Whiteley, O.B.E. (Fellow), Bradford, as a member of the Council, which Mr. Ogden Whiteley tendered following medical advice. The Council passed a resolution expressing their high appreciation of the valuable services rendered by Mr. Ogden Whiteley to the Society.

The following members of the Council retire under Article 49, and, being eligible, offer themselves for re-election with the exception of Mr. Richard Smith. The Council desire to record their appreciation of Mr. Smith's services as a member of the Council for 28 years :—

London.

Mr. William Henry Payne.
Mr. Edward Cassleton Elliott.
Mr. Walter Holman.

Provinces.

Mr. Duncan Edward Campbell, Wolverhampton.
Mr. Richard Leyshon, Cardiff.
Mr. Richard Smith, Newcastle-on-Tyne.
Mr. Alan Standing, Liverpool.
Mr. Frederic Walmsley, J.P., Manchester.
Mr. Edward Watts Catherington Whittaker, J.P., Southampton.

FINANCE AND ACCOUNTS.

The accounts for 1927, duly audited, annexed to this report, show a surplus on the year of £4,336 12s. 1d.

A sum of £4,000 has been added to the Building Fund, which now stands at £19,000.

THOMAS KEENS,
President.

HENRY MORGAN,
Vice-President.

ALEXANDER A. GARRETT,
Secretary.

50, Gresham Street, London, E.C.2.
March 29th, 1928.

REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31ST, 1927.

Dr. **Cr.**

EXPENDITURE.	£	s.	d.
To Travelling Expenses	1,692	14	11
,, Rent	886	2	0
,, Housekeeper, Lighting, Telephone, &c.	253	11	8
,, Salaries	4,153	7	10
,, Stationery and Printing, including Year Book	2,154	2	2
,, Postages and Telegrams	340	6	9
,, Miscellaneous Expenses	506	5	8
,, Legal Expenses	198	0	4
,, Advertisements	777	12	0
,, Expenses of Examinations	3,116	13	3
,, Examination Prizes and Medals	75	6	6
,, Grants to District and Students' Societies	763	6	0
,, Auditors' Fees and Expenses	54	5	10
,, Subscriptions and Contributions to Chambers of Commerce	47	15	6
,, Deficit on Manchester Conference	273	10	4
,, Corporation Duty	62	11	8
,, Depreciation of Furniture and Library	349	7	2
,, Balance, being surplus of Income over Expenditure for the year	4,336	12	1
	£20,041	11	8

INCOME.			£	s.	d.
By SUBSCRIPTIONS			10,557	4	6
,, ENTRANCE FEES—					
70 Fellows	409	10 0			
297 Associates	3,118	10 0			
			3,528	0	0
,, EXAMINATION FEES			4,202	2	0
,, DIVIDENDS ON INVESTMENTS (*less* TAX)			1,280	18	1
,, SUNDRY FEES, &c.			271	7	7
,, HIRE OF ROOMS			101	19	6
,, CONTRIBUTION FROM *Incorporated Accountants' Journal* TOWARDS OFFICE EXPENSES			100	0	0
			£20,041	11	8

Dr. BALANCE SHEET, DECEMBER 31ST, 1927. **Cr.**

	£	s.	d.	£	s.	d.
To SUNDRY CREDITORS	2,465	14	6			
,, *Incorporated Accountants' Journal* (Loan) ..	1,000	0	0			
,, Subscriptions for 1928 (paid in advance) ..	155	8	0			
,, Examination Fees (paid in advance) ..	264	12	0			
,, Building Fund	19,000	0	0			
,, REVENUE ACCOUNT—						
Balance at December 31st, 1926	£15,093	13	5			
Add Surplus for 1927 ..	4,336	12	1			
	19,430	5	6			
Less Transferred to Building Fund	4,000	0	0			
	15,430	5	6			
By CASH AT BANK OF ENGLAND—						
On Current Account	1,697	4	5			
,, CASH AT MIDLAND BANK—						
On Deposit Account	4,200	0	0			
				5,897	4	5
,, INVESTMENTS AT COST—						
£6,000 0s. 0d. 4½% Conversion Stock, 1940-44 ..	5,461	13	3			
£13,398 5s. 0d. 3½% Conversion Stock, 1961	10,059	2	4			
£1,000 0s. 0d. 5% War Loan Stock, 1929-47	1,013	11	9			
£3,300 0s. 0d. 4% Funding Stock, 1960-90	2,786	16	6			
£1,129 7s. 2d. 3½% India Stock	1,272	4	3			
£550 0s. 0d. 4% Union of South Africa Consolidated Stock, 1943-63	547	7	0			
£800 0s. 0d. 6% New South Wales Conversion Loan, 1930-40	779	2	0			
£1,000 0s. 0d. 4% New South Wales Stock, 1933 ..	915	2	0			
£550 0s. 0d. 3½% New South Wales Stock, 1930-50 ..	535	13	3			
£500 0s. 0d. 3½% Queensland Stock, 1950-70	478	3	6			
£550 0s. 0d. 5% Victoria Stock, 1945-75	524	13	3			
£1,000 0s. 0d. 4% New Zealand Stock, 1933-43	917	12	0			
£500 0s. 0d. 4½% New Zealand Stock, 1944	476	18	6			
£1,000 0s. 0d. 4½% New Zealand Stock, 1945	942	12	0			
£250 0s. 0d. 3% Local Loans Stock	248	16	0			
£600 0s. 0d. 3% London County Consolidated Stock	517	12	0			
£200 0s. 0d. 3% Nottingham Corporation Stock, 1920-60	192	0	0			
£500 0s. 0d. 3% Leeds Corporation Stock	463	7	0			
£300 0s. 0d. 4½% Edinburgh Corporation Stock, 1940-60	291	6	0			
£200 0s. 0d. 3½% Met. Ry. Deb. Stock	270	18	6			
£900 0s. 0d. 4% L. & N.E.Ry. Deb. Stock	1,104	11	6			
£261 0s. 0d. 4% L. & N.E.Ry. First Pref. Stock	326	0	0			
£100 0s. 0d. 4% L. & N.E.Ry. Second Guar. Stock ..	126	0	0			
£500 0s. 0d. 4% L. & N.E.Ry. Second Pref. Stock ..	637	2	0			
£150 0s. 0d. 5% G. W. Ry. Guar. Stock	248	19	0			
£13 2s. 2d. Madras Railway Annuity, Class B ..	357	8	6			
(Market value of Investments, 31/12/27, £29,846 1s. 6d.)				31,494	12	1
,, Furniture and Fittings				200	0	0
,, Library				300	0	0
,, Sundry Debtors and Dividends accrued ..				424	3	6
				£38,316	0	0
	£38,316	0	0			

THOMAS KEENS, *President.*

C. HEWETSON NELSON,
Chairman of Finance Committee.

AUDITORS' REPORT TO THE MEMBERS.

We beg to report that we have examined the foregoing Accounts, together with the books and vouchers of the Society, and that we have obtained all the information and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Society. We have also verified the Investments and Cash Balances.

ARTHUR HENRY HUGHES,
ROBERT HEATLEY, } *Auditors.*
Incorporated Accountants.

LONDON, *April 24th, 1928.*

IRISH FREE STATE AND DOUBLE INCOME TAX.

Amending Agreement.

(Which constitutes Schedule 4 of the Finance Bill, 1928.)

The following is the text of an agreement made on April 25th, 1928, between the British Government and the Government of the Irish Free State amending the agreement made on April 14th, 1926, between the said Governments in respect of double income tax:—

With a view to making such alterations in the agreement made April 14th, 1926, between the British Government and the Government of the Irish Free State in respect of double income tax as may be necessary in consequence of the alterations in the British Income Tax Acts effected by the British Finance Act, 1927, and of the alterations contemplated in the Irish Free State Income Tax Acts, it is hereby agreed between the said Governments that the said agreement shall be amended as follows:—

1.—(*a*) In Article 1 (*a*) of the said agreement the words "British income tax" shall as respects the year 1928-29 and any subsequent year be construed as meaning British income tax charged or chargeable at the standard rate and the expression "British super tax" shall for the year 1928-29 include British sur tax and shall for subsequent years mean British sur tax.

(*b*) In Article 1 (*b*) of the said agreement the expression "Irish Free State super tax" shall for the year 1928-29 include Irish Free State sur tax and shall for subsequent years mean Irish Free State sur tax.

2.—The following Article shall be substituted for Article 2 of the said agreement:—

2.—(1) Relief from double taxation in respect of income tax (including sur tax) in the case of any person who is resident both in Great Britain or Northern Ireland and in the Irish Free State shall be allowed from British income tax and Irish Free State tax respectively in accordance with and under the provisions of sect. 27 of the Finance Act, 1920, provided that—

(*a*) The rate of relief to be allowed from British income tax shall be one-half of that person's appropriate rate of British income tax or one-half of his appropriate rate of Irish Free State tax, whichever is the lower;

(*b*) The rate of relief to be allowed from Irish Free State tax shall be one-half of that person's appropriate rate of British income tax or one-half of his appropriate rate of Irish Free State tax, whichever is the lower;

(*c*) The appropriate rate of British income tax for any year shall in the case of a person whose income is chargeable to British income tax at the standard rate only be a rate ascertained by dividing the amount of tax payable by him for that year in respect of his total income (before deduction of any relief granted in respect of life assurance premiums or any relief granted under the provisions of sect. 27 of the Finance Act, 1920, as amended by this Article) by the amount of his total income, and shall in the case of a person part of whose total income is chargeable to British income tax at a rate or rates in excess of the standard rate be the sum of the following rates:—

(i) The rate which would have been the appropriate rate in the case of that person if his income had been chargeable at the standard rate only, and

(ii) The rate ascertained by dividing the amount of the British sur tax payable by that person for that year by the amount of his total income for that year;

(*d*) The appropriate rate of Irish Free State tax for any year shall in the case of a person whose income is chargeable in the Irish Free State to income tax only be a rate ascertained by dividing the amount of tax payable by him for that year in respect of his total income (before deduction of any relief granted in respect of life assurance premiums or any relief granted under the provisions of sect. 27 of the Finance Act, 1920, as amended by this Article) by the amount of his total income, and shall in the case of a person whose income is chargeable to Irish Free State sur tax be the sum of the following rates:—

(i) The rate which would have been the appropriate rate in the case of that person if his income had been chargeable to income tax only, and

(ii) The rate ascertained by dividing the amount of the Irish Free State sur tax payable by that person for that year by the amount of his total income for that year;

(*e*) Relief under this Article from British income tax allowable to any person for any year shall be given as to such an amount as would be due if his income for the year were chargeable to British income tax at the standard rate only and to Irish Free State income tax only by repayment of or set-off against the tax at the standard rate payable by him for that year, and as to any balance by repayment of or set-off against any British sur tax payable by him for that year;

(*f*) Relief under this Article from Irish Free State tax allowable to any person for any year shall be given as to such an amount as would be due if his income for the year were chargeable to British income tax at the standard rate only and to Irish Free State income tax only by repayment of or set-off against the income tax payable by him for that year, and as to any balance by repayment of or set-off against any Irish Free State sur tax payable by him for that year.

(2) Relief from double taxation to super tax for the year 1928-29 in the case of any person who is resident both in Great Britain or Northern Ireland and in the Irish Free State shall be allowed, in accordance with and under the provisions of sect. 27 of the Finance Act, 1920, so far as applicable, from British super tax for that year and Irish Free State super tax for that year respectively at one-half of the lower of the two following rates:—

(*a*) That person's rate of British super tax for the year 1928-29 ascertained by dividing the amount of the super tax payable by him for that year by the amount of his total income from all sources for that year as estimated for super tax purposes;

(*b*) That person's rate of Irish Free State super tax for the year 1928-29 ascertained by dividing the amount of the super tax payable by him for that year by the amount of his total income from all sources for that year as estimated for super tax purposes.

(3) For the purposes of this Article references to sect. 27 of the Finance Act, 1920, shall in relation to British taxation be construed as references to that section subject to the amendments thereof effected by the British Finance Act, 1927, other than the amendment of the said section numbered (iv) in Part II of the Fifth Schedule to the said Act of 1927.

3.—This agreement shall be subject to confirmation by the British Parliament and by the Oireachtas of the Irish Free State and shall have effect only if and so long as legislation confirming the agreement is in force both in Great Britain and Northern Ireland and in the Irish Free State.

Incorporated Accountants Y.M.C.A. Fund.

First List of Donations.

	£	s.	d.
Messrs. Martin, Farlow & Co.	21	0	0
Mr. G. E. Sendell	5	5	0
Messrs. Spence, Paynter & Morris	5	5	0
Mr. Owen Stallwood	0	10	6
*Mr. E. J. Webber	4	4	0
Mr. J. H. Gent	1	1	0
Mr. F. Ogden Whiteley	2	2	0
Mr. D. Davies (Fellow)	1	1	0
*Mr. H. R. Dutton	2	2	0
Mr. Albert Chadwick	1	1	0
Mr. H. C. Waddington	0	10	6
*Mr. E. G. F. Medley	4	4	0
Messrs. Keeling & Co.	0	10	0
Mr. A. F. Saunders	1	0	0
Messrs. Langton & MacConnal	10	10	0
Mr. W. T. Walton	0	10	0
Mr. R. T. Warwick	5	5	0
*Mr. W. E. Houghton	4	4	0
Messrs. Ashmole, Edwards & Goskar	2	2	0
*Mr. C. W. Legge	4	4	0
Mr. W. E. Wall	0	10	0
Mr. Percival White	2	2	0
Mr. F. S. Ralphs	0	5	0
*Mr. C. E. Wakeling	2	2	0
Mr. E. E. Bayfield	2	2	0
*Mr. A. Fullerton	1	0	0
Mr. L. D. Edwards	0	10	6
*Mr. F. Westwood	2	2	0
Messrs. Thomas May & Co.	2	2	0
Messrs. Swallow, Crick & Co.	1	1	0
Mr. W. H. Payne	5	5	0
Messrs. W. H. Payne & Co.	5	5	0
*Mr. J. H. Hort	2	2	0
Mr. V. S. Wright	5	5	0
Messrs. Corfield & Cripwell	1	11	6
Mr. A. A. Garrett	3	3	0
Mr. W. H. H. Middleton	0	2	6
*Mr. H. I. W. James	11	6	0
Messrs. Slater, Chapman & Co.	5	5	0
Mr. J. Lloyd Roberts	5	5	0
Mr. C. G. Clark	5	5	0
Mr. R. Hilditch	2	2	0
Mr. Wm. Chadwick	1	1	0
*Mr. H. Perkins	4	4	0
Mr. J. Davidson	1	1	0
Mr. A. Nicholson	1	1	0
*Mr. John Gray	4	4	0
*Mr. W. C. Weatherby	4	4	0
Mr. F. Lutkin	0	10	6
Mr. William Adams	0	10	6
*Mr. R. P. Speakman	2	2	0
Mr. T. Whittaker	0	10	6
Mr. F. L. Kilby	0	10	6
*Mr. F. A. Crew	2	2	0
Mr. W. C. Hunt	0	10	6
Mr. D. Charles Evans	0	10	6
*Mr. F. W. Priest	2	2	0
Mr. F. J. Warren, O.B.E.	0	10	0
*Mr. S. D. Crossey	1	5	0
Mr. L. Hinder	0	5	0
Mr. William Nicholson	52	10	0
Mr. H. E. Booty	1	1	0
Messrs. W. E. Nelson & Co.	1	1	0
Mr. W. E. Dewhurst	1	1	0
Mr. T. W. Marriott	1	1	0
*Mr. Neville Booth	5	5	0
Mr. J. P. Pattison	4	4	0
Messrs. Tessier, Son & Randall	2	2	0
Mr. James Boyd	1	1	0
Mr. W. T. Plummer	0	10	6
Mr. S. B. Wilson	0	10	6
Mr. E. D. Holbourn	0	10	0
Mr. F. T. Goodliff	0	5	0
Mr. J. C. Fay	0	10	6
Carried forward	£241	1	0

	£	s.	d.
Brought forward	241	1	0
Mr. F. O. Wilson	1	1	0
Mr. H. M. Stevens	2	2	0
*Mr. C. A. Sherwood	4	4	0
Mr. H. B. Leah	1	1	0
Mr. J. B. Bardsley	1	1	0
Mr. B. de V. Hardcastle	1	1	0
Mr. John Asbridge	2	2	0
Messrs. Button, Stevens & Witty	2	2	0
Mr. C. H. Midgley	2	2	0
*Mr. R. P. Thorne	1	0	0
*Mr. A. R. Terry	1	0	0
Mr. G. A. Wrigley	2	2	0
Mr. E. Buckley	2	2	0
Mr. L. H. Chapman	0	10	6
Mr. J. Penn Titterton	0	5	0
Messrs. Lewis Vizard & Son	2	2	0
Mr. Ernest Williams (Manchester)	0	10	6
*Mr. R. Gair	2	2	0
Messrs. James Baird & Co.	3	3	0
*Mr. H. B. Baker	4	4	0
Mr. J. R. W. Selley	0	10	6
Mr. C. E. Halliwell	0	10	6
Mr. W. Bateson	2	2	0
Mr. R. Gregg	2	2	0
Mr. G. F. Galpin	0	10	6
*Mr. Arthur Collins	52	10	0
Mr. William Price	2	2	0
Mr. Andrew Black	1	1	0
*Mr. R. G. Davidson	4	4	0
*Mr. Joseph Stephenson	21	0	0
Mr. E. Walling	0	10	6
Mr. W. H. Warnes	1	1	0
Mr. C. L. Lee	0	10	6
*Mr. W. R Smith	2	2	0
*Mr. H. C. King	2	2	0
Mr. D. R. Phillips	0	7	6
Mr. G. S. Pitt	3	3	0
Messrs. Duck, Mansfield & Co.	1	1	0
Mr. J. Pearson Griffiths	3	3	0
Mr. Trevor Davies	0	10	6
*Mr. C. J. Sinclair	2	2	0
Mr. G. Moat	0	5	0
*Mr. R. W. G. Taper	1	0	0
Mr. Frank Heald	0	5	0
*Mr. W. G. Olliffe	3	3	0
*Mr. C. A. R. Cook	2	2	0
Mr. J. H. Worrall	1	0	0
Messrs. Hughes & Allen	5	5	0
Mr. E. J. Waldron	1	1	0
Mr. E. T. Brown	5	5	0
Mr. T. Dee	0	10	6
Mr. H. McLellan	1	1	0
Mr. E. McLellan	1	1	0
Anonymous	2	12	6
*Mr. H. Kingston	4	4	0
Mr. R. E. Loveday	0	10	0
Mr. W. E. Warrington	0	10	6
Mr. T. J. Robertson	2	2	0
*Mr. H. A. Smith	4	4	0
*Messrs. Morgan Brothers & Co.	26	5	0
Mr. C. Hewetson Nelson	3	3	0
Mr. J. C. Summerskill	1	1	0
Mr. W. H. Aplin	1	11	6
*Messrs. Brinley Bowen & Mills	4	4	0
Mr. Frank Harrison	0	10	6
Messrs. W. T. Rowlinson & Co.	1	1	0
*Mr. R. Porter	4	4	0
Mr. W. W. Beer	1	1	0
*Mr. A. E. Wood	10	0	0
Mr. F. L. Pitcher	0	10	6
Messrs. Holman, Foxcroft & Jackson	5	5	0
Mr. G. Gibb	1	1	0
Mr. H. Parsonage	0	5	0
Messrs. Keens, Shay, Keens & Co.	21	0	0
Mr. J. T. Lowe	1	1	0
Mr. E. T. Kerr	2	2	0
Mr. Arthur Ward	1	1	0
Carried forward	£501	11	6

	£	s.	d.
Brought forward	501	11	6
Mr. A. E. Piggott	0	10	6
Mr. Halvor Piggott	0	10	6
Mr. A. E. Evans	1	1	0
*Mr. T. S. Radford	2	2	0
Messrs. E. J. Wolstenholme & Clemence ..	2	2	0
*Mr. P. H. Smith	2	2	0
Mr. C. R. Scholes	1	1	0
*Mr. Rowland Francis	1	0	0
*Mr. G. Alan Smith	4	4	0
*Miss E. Southgate	4	4	0
Mr. A. H. Edwards	2	2	0
	£522	10	6

* *Spread over a period of four years.*

Obituary.

SIR JOHN CRAGGS.

Sir John Craggs, F.C.A., a member of the Council of the Institute of Chartered Accountants, passed away on May 3rd at the age of 71 after an illness of about six months duration. Sir John was one of the original Honorary Secretaries of the King Edward Hospital Fund for London. He was made M.V.O. in 1902, and received the honour of Knighthood in 1903.

WILLIAM DANIEL ELGAR.

It is with deep regret that we record the death of Mr. W. D. Elgar, F.C.A., F.S.A.A., a partner in the firm of Messrs. Blakemore, Elgar & Co., London, which took place on May 4th, after an illness which lasted about three months. The immediate cause of death was heart failure. Mr. Elgar qualified as a member of the Society of Incorporated Accountants and Auditors in the year 1900, and in 1913 he also became a member of the Institute of Chartered Accountants, joining Mr. Blakemore in partnership a few years later. His work brought him largely into contact with the theatrical world, where he was well known and highly esteemed, not only for his professional knowledge but also for his sterling character. He was well known amongst Incorporated Accountants not only in London but also in the Provinces, and took a deep interest in all the Society's affairs. It is, however, his valuable work in connection with the Incorporated Accountants Students' Society of London that will be best remembered. Almost from the inception of the Students' Society he took a leading part in the meetings. He was a member of the Committee for many years and was elected President in 1920. His knowledge of the matters which came up for discussion was always precise and extended over a wide range of subjects. Anything he could do to help students was always a pleasure to him, and many a young man has been indebted to him for kindly advice and assistance. There was a large attendance at his funeral, which took place at Highgate Cemetery, and many floral tributes to his memory were received. At the annual meeting of the Society of Incorporated Accountants and Auditors, held last month, the members expressed their sincere sympathy with Mrs. Elgar in her bereavement.

CHARLES LEWIS EDWARDS.

We regret to announce the death of Mr. Charles Lewis Edwards, C.B.E., F.S.A.A., the Chief Accountant of the London and North Eastern Railway, which occurred suddenly on May 11th following an operation. Mr. Edwards had a long and distinguished career in the railway world, commencing in the old London and South Western Railway in 1881. He became a member of the Society in 1906 being at that time the Chief Accountant of the Great Northern Railway. When the amalgamation of the railways took place under the Railways Act of 1921 he was appointed the Chief Accountant of the amalgamated lines forming the London and North Eastern Railway. Mr. Edwards was a member of the Board of Management and chairman of the Finance Committee of the Railway Benevolent Institution, and he was also the chairman of the Standing Advisory Committee of the Railway Clearing House from 1913 to 1921.

BRANCHES AND DISTRICT SOCIETIES OF INCORPORATED ACCOUNTANTS.

The ninth half-yearly Conference of representatives of Branches and District Societies was held in the Council Chamber of the Society, on Wednesday, May 23rd. There were present:—The President (Mr. Thomas Keens), the Vice-President (Mr. Henry Morgan), Mr. H. J. Burgess, Mr. W. Claridge, Mr. W. Holman, Mr. E. T. Kerr, Mr. R. T. Warwick and Sir Charles Wilson (Members of the District Societies' Committee of the Council), Mr. James Paterson (Scotland), Mr. A. Chadwick and Mr. A. E. Piggott (Manchester), Mr. Percy Toothill (Sheffield), Mr. T. Harold Platts (Birmingham and Midland), Mr. T. W. Dresser (Yorkshire), Mr. J. Pearson Griffiths and Mr. Percy H. Walker (South Wales and Monmouthshire), Mr. Alexander Hannah (Liverpool), Mr. J. Telfer (Newcastle-on-Tyne), Mr. F. A. Webber (West of England), Mr. E. Whittaker and Mr. F. Woolley (South of England), Mr. S. I. Wallis (Notts., Derby and Lincs.), Mr. H. Reynolds (Bradford), Mr. D. H. Bates and Mr. J. Paterson Brodie (North Staffordshire), Mr. W. H. Ashmole and Mr. T. O. Morgan (Swansea and South-West Wales), Mr. D. E. Campbell and Mr. W. T. Manning (Leicester), and Mr. W. N. Bubb (London).

The minute of the eighth Conference having been confirmed, the President made a statement as to the progress which had been made in regard to new headquarters for the Society and in relation to the Branches' and District Societies' scheme.

A discussion took place on several matters of moment to Incorporated Accountants, notice of which had been given by the South Wales and Monmouthshire District Society.

The President announced that the Council had authorised the formation of a District Society for Leicester and District, and it was reported that a District Society for Hull and District was in process of formation. The precise geographical boundaries of all District Societies would be determined under the Branches and District Societies scheme.

The Conference adjourned after a cordial vote of thanks had been accorded to the President for his conduct in the chair.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to the Membership of the Society have been completed since our last issue:—

ASSOCIATES.

COLLINS, BERNARD ST. JOHN, Clerk to Peat, Marwick, Mitchell & Co., 11, Ironmonger Lane, London, E.C.2.

COOKE, VICTOR JOHN, Accounts Department, British Reinforced Concrete Engineering Company, Limited, Lichfield Road, Stafford (formerly articled clerk to Mr. Walter J. Dean, Stafford).

DAVIS, THOMAS GUY, Clerk to Wilson, de Zouche & Mackenzie, 2, Norfolk Street, Strand, London, W.C.2.

EVANS, ERIC NORMAN, Accountant, Nigerian Base Metals Corporation, Limited, Jos, Nigeria (formerly Clerk to Singleton, Fabian & Co., London).

FOLEY, FRANCIS GEORGE, Clerk to W. J. Ching & Co., 8, Sussex Terrace, Plymouth.

HARRIS, WILLIAM LEONARD, Clerk to E. J. Williams & Co., Exchange Buildings, 14, Lowther Street, Carlisle.

WESTERTON, PHILIP WALTER, Clerk to Sir Alfred T. Hennessy, K.B.E., 42, Burg Street, Cape Town, S. Africa.

AUDITORS' DUTIES AND QUALIFICATIONS.

In the Standing Committee of the House of Commons on the Companies Bill, an interesting debate took place on the Duties and Qualifications of Auditors. The Clause under discussion was as follows:—

CLAUSE 33.—(ACCOUNTS.)

.—(1) *Every company shall cause to be kept proper books of account with respect to—*

(a) *all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;*

(b) *all sales and purchases of goods by the company;*

(c) *the assets and liabilities of the company.*

(2) *The books of account shall be kept at the registered office of the company or at such other place as the directors think fit, and shall at all times be open to inspection by the directors.*

(3) *The directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in general meeting a profit and loss account or, in the case of a company not trading for profit, an income and expenditure account for the period, in the case of the first account, since the incorporation of the Company, and, in any other case, since the preceding account, made up to a date not earlier than the date of the meeting by more than nine months, or, in the case of a company carrying on business or having interests abroad, by more than twelve months;*

Provided that the Board of Trade, if for any special reason they think fit so to do, may, in the case of any company, extend the period of eighteen months aforesaid, and in the case of any company and with respect to any year extend the periods of nine and twelve months aforesaid.

(4) *The directors shall cause to be made out in every calendar year, and to be laid before the company in general meeting, a balance-sheet as at the date to which the profit and loss account, or the income and expenditure account, as the case may be, is made up, and there shall be attached to every such balance-sheet a report by the directors with respect to the state of the company's affairs, the amount, if any, which they recommend should be paid by way of dividend, and the amount, if any, which they propose to carry to the reserve fund, general reserve or reserve account shown specifically on the balance-sheet, or to a reserve fund, general reserve or reserve account to be shown specifically on a subsequent balance-sheet.*

(5) *If any person being the director of a company—*

(a) *fails to take all reasonable steps to secure compliance by the company with the requirements of sub-sect.* (1) *or sub-sect.* (2) *of this section, or has by his own wilful act been the cause of any default by the company under either of the said sub-sections; or*

(b) *fails to take all reasonable steps to comply with the provisions of sub-sect.* (3) *or sub-sect.* (4) *of this section;*

he shall, in respect of each offence, be liable on summary conviction to imprisonment for a term not exceeding six months or to a fine not exceeding two hundred pounds:

Provided that a person shall not be sentenced to imprisonment for an offence under this section unless in the opinion of the Court dealing with the case, the offence was committed wilfully.

(6) *Sect.* 113 *of the principal Act (which relates to the powers and duties of auditors) shall be amended as follows:*

(a) *In sub-sect.* (2) *for the word "shareholders" there shall be substituted the word "members";*

(b) *For the word "shareholder" wherever it occurs in sub-sect.* (3) *there shall be substituted the word "member";*

(c) *In sub-sect.* (3) *after the word "furnished" there shall be inserted the words "within seven days after he has made a request in that behalf to the company," and at the end of the said sub-sect.* (3) *there shall be added the words "and if the company makes default in furnishing such a copy to any member who demands it and tenders to the company the amount of the proper charge therefor, the company and every director, manager, secretary or other officer of the company who knowingly and wilfully authorises or permits the default shall be liable to a fine of five pounds for every day during which the default continues";*

(d) *Sub-sect.* (3) *shall, so far as relates to companies other than private companies, have effect as if the following were substituted for the second paragraph thereof:*

"A copy of every balance-sheet (including every document required by law to be annexed thereto) which is to be laid before the company in general meeting, together with a copy of the auditors' report, shall, not less than seven days before the date of the meeting, be sent to all persons entitled to receive notices of general meetings of the company, and if the company makes default in complying with the foregoing requirement, the company and every director, manager, secretary or other officer of the company who knowingly and wilfully authorises or permits the default, shall be liable to a fine of twenty pounds."

The following amendments stood on the paper in the names of Mr. A. V. Alexander and Mr. Looker respectively:

In sub-sect. (6) after the word "follows" ["amended as follows"] to insert the words:

"(a) In sub-sect. (1) after the word 'auditors,' there shall be inserted the words 'and to enable them to sign a report in the following terms,

"The undersigned being the auditors appointed by the company, having had access to all the books, deeds, documents, and accounts of the company, and having examined the foregoing balance-sheet, and verified the same with the books, deeds, documents, accounts and vouchers relating thereto now sign the same as found to be correct, duly vouched, and in accordance with law (subject to a special report if found to be necessary)."

In sub-sect. (6) to leave out paragraph (a) and to insert instead thereof the words:

"(a) By substituting for sub-sect. (2) thereof the following new sub-section:

"(2) The auditors shall make a report to the members on the accounts examined by them and on every balance-sheet laid before the company in general meeting during their tenure of office, and the report shall state whether, in their opinion, the balance-sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them and as shown by the books of the company. The report shall further state in prominent type in what respect, if at all, they have failed to obtain any information or explanation required

by them, and in like manner shall indicate any assets in the balance-sheet the amounts of which they have not been able to verify otherwise than by reference to statements or valuations made by managers or other persons employed by or interested in the company, or for which they do not otherwise accept any responsibility, and shall in like manner draw attention to any other matters to which they consider the attention of the members ought particularly to be drawn.

"Provided that every person who is a director of the company at the time of the issue of any account, statement, or report containing any such valuation as aforesaid of any of the assets of the company made by or upon the authority of a board upon any information or estimate supplied by or upon the authority of any manager or other officer of the company shall be liable to pay compensation to all persons who shall have sustained any loss or damage by reason of any act or thing done or omitted by them upon the faith of such valuation if it shall afterwards be proved that such manager or other officer at the time of such issue as aforesaid knew or had reasonable ground for believing that the valuation did not fairly or accurately represent the value of the assets comprised therein."

MR. ALEXANDER: We regard the amendment which stands in my name as of very great importance, but before we proceed further, I should like guidance from you, Sir, as to what should be our procedure. The amendment in the name of the Hon. Member for South-East Essex (Mr. Looker) is much longer and much more drastic, and, whilst I have not considered it in as much detail as I have considered my own, I should like to know whether the desire is that we could have a debate on the general issue and whether, if that is so, the Government is likely to accept—I do not know whether we can prejudice the case—the second amendment rather than the first, or whether it is desired to have a debate on the first.

SIR P. CUNLIFFE-LISTER: I am ready, not to pre-judge, but to intimate what is our considered judgment, and that is that we cannot possibly invite the Committee to accept either the one or the other amendment.

MR. ALEXANDER: I should, therefore, like to have your ruling, Sir, whether it would be advisable to have a general debate on the provisions of both amendments. I am anxious, as my amendment comes first, and is somewhat limited in character, not to injure the chances of the amendment of the Hon. Member for South-East Essex.

SIR P. CUNLIFFE-LISTER: It is going to be difficult to discuss one without involving the details of the other, and there would be no objection to having two divisions if anybody wishes to have two divisions.

THE CHAIRMAN: I thought that would be the best way of dealing with the question—to have a general debate on the amendment that the Hon. Member for Hillsborough (Mr. Alexander) is going to move, and then to have two divisions on the two amendments.

MR. ALEXANDER: That will suit me, and it will help to decide our attitude in the second division to listen to the arguments in the general debate.

MR. LOOKER: In so far as my amendment covers much the same ground as the amendment of my hon. friend opposite, I was proposing to omit that portion and to submit the amendment in a shortened form in the shape of adding an additional paragraph to sect. 113, beginning with what is really new ground in my actual amendment.

MR. ALEXANDER: I beg to move, in sub-sect. (6) after the word "follows" ["amended as follows"], to insert the words:

"(*a*) In sub-sect. (1) after the word 'auditors' there shall be inserted the words 'and to enable them to sign a report in the following terms:'

"'The undersigned being the auditors appointed by the company, having had access to all the books, deeds, documents, and accounts of the company, and having examined the foregoing balance-sheet, and verified the same with the books, deeds, documents, accounts, and vouchers relating thereto, now sign the same as found to be correct, duly vouched, and in accordance with law (subject to a special report if found to be necessary).'"

We regard this question as of very critical importance. In view of previous discussions in this Committee, I invite Hon. Members opposite to pay very special attention to the debate of this matter. We propose that there shall be inserted in sub-sect. (1) of the original section in the Companies Acts, 1908, a requirement specifically as to the form of certificate of the auditors of a company. We hold the view that, so far as incorporated bodies under the Companies Act are concerned, the statutory requirements as to audit are really nothing like stringent enough. Auditors, as Hon. Members familiar with company practice know, are required only to say whether or not they have obtained all the information and explanations that they as auditors have chosen to require. Even where the auditors of a particular company may not have been satisfied with certain items, their report contains only a very vague reservation, which to the shareholders may mean something or may mean almost nothing at all. In fact, it is quite clear from one or two Press comments that I shall quote, that it is really very inadequate in its form. It is essential, because of the views which are expressed here from time to time by the President of the Board of Trade, that I should bring to my aid the opinions of those who are qualified to speak on a subject of this kind. I have first of all the view of Mr. Elliott, who is reported in a paper called the *Accountant*, as having addressed the Society of Incorporated Accountants, and as having said this:

"I would like to draw attention to a recent controversy in regard to a certificate to a balance-sheet which was qualified. The certificate was in the usual form, but contained the words 'subject to valuation of investments.' In this certificate, the auditors adopted a negative attitude, instead of the positive one. I am bound to say that the public look to auditors to take a positive attitude in framing their reports on balance-sheets, and to be as explicit as possible. It is far better, surely, for the auditors, if they are not satisfied with the value of any particular asset, to say so definitely, without leaving the shareholder to draw his own conclusions, which may or may not be right."

That is the view of a quite eminent and qualified accountant. I quote further from a balance-sheet of a firm which I know quite well, W. & T. Avery, Limited. This is their balance-sheet for March 31st, 1923. The report of the Chartered Accountants who audited the accounts states:

"We have obtained all the information and explanations we have required."

Then there is this particular qualification—

"and subject to the provisions of the Articles of Association, in our opinion such balance-sheet is properly drawn up so as to exhibit a true and correct view of the company's affairs."

Why should there be provisions in the Articles of Association which, in such a case, prevent the auditor from giving a

complete, full and impartial statement of what is his view of the company's position. It seems to me, from that point of view, that it should be incumbent upon us to lay down in the Statute requirements as to the auditor's certificate which shall in no way be affected by whatever the directors promoting a company may choose to include in the original, or amended, Articles of Association. The form of certificate which has been suggested by the amendment is not without precedent. I am aware that I have had to bring to the notice of this Committee on more than one occasion in the course of the long and technical discussion on this Bill, various precedents which existed in the case of the very large trading bodies which are incorporated under the Industrial and Provident Societies Acts, and the form which we have adopted closely follows that which has precedents in the Act of 1893, as amended by the Act of 1913. It is used by incorporated bodies doing hundreds of millions of pounds of trade per annum, and is therefore quite clearly a reasonable form. It provides for a positive report to be made by the auditors, and for a special report when any item in the accounts is incorrect, or is unvouched, or is not in accordance with the law. The President of the Board of Trade indicated during the discussion on a point of procedure that he is simply going to refuse any consideration of this matter at all.

Sir P. CUNLIFFE-LISTER: I did not say anything of the sort. We are now entering upon the consideration of it. I was asked to indicate what the Government's view was, and I am certainly going to give my full reasons for it. I replied to the Hon. Member by saying that when the time came, I should ask the Committee to reject it.

Mr. ALEXANDER: That means to say that the matter is already prejudged, and he has decided——

Sir P. CUNLIFFE-LISTER: Presumably the Hon. Member has made up his mind that his amendment is right, or he would not be moving it?

Mr. ALEXANDER: The case we are putting is that the Right Hon. Gentleman gave an undertaking upon the Second Reading of the Bill that, wherever we could help the Government to improve it, they would give careful consideration to the arguments used. I am simply expressing regret that, in a discussion on a point of procedure, the President has indicated that he cannot accept anything of the kind. Therefore, I am entitled to say that it is a little unfortunate if we are prejudging the matter. In view of that, I want to press upon the Government that there is a strong public opinion on this matter, and I am going to quote from the City editor of the *Times*. I am quite persuaded that there is no Hon. Member on the other side, whatever his company interests may be, who will not take as an authoritative expression of the opinion of those engaged in the general finance of public companies, the views expressed by the City editor of the London *Times*. This is what he said recently in an article:

> "Auditors are supposed to be the watchdogs of the shareholders, but in practice they often tend to be as much the servants of the directors as of the shareholders, if not more."

Sir P. CUNLIFFE-LISTER: A most improper observation. I should say that that is a great reflection upon a very honourable class of men.

Mr. ALEXANDER: That is the view of the President of the Board of Trade, but I take it that the view of the City editor of the London *Times* on this matter is of equal weight with the view of the President of the Board of Trade.

Mr. ELLIS: It is a generalisation, after all.

Mr. DENNIS HERBERT: The City editor of the *Times* is human, and may go wrong.

Mr. ALEXANDER: We observed that in the case of Ministers last night. These are very significant words which I have quoted. The article goes on:

> "From time to time, shareholders complain that auditors are insufficiently informative in their reports. There is ground for this complaint. We could quote a number of cases in recent years where, if the auditors, assuming they had known the true facts of the case, had spoken plainly to the shareholders, bad policy resulting in heavy losses would have been checked before they became disastrous. Public companies owe an obligation to the public, and that is to keep the latter properly and adequately informed of all material facts. Competition among auditors it is supposed is largely responsible for the brevity of their certificates."

I have given the quotation in full, because I regard it as a very important opinion expressed by a very competent authority. When views of that kind are expressed in the financial columns of the London *Times*, they clearly indicate to me that there is a strong public opinion among shareholders of companies that reform in this direction is not only needed, but long overdue. It seems to me the suggestion underlying it is that the City editor of the *Times*——

Colonel WOODCOCK: Who is he?

Mr. ALEXANDER: I am not prepared to say who he is. I have never seen him. I have taken my opinion on this occasion from the columns of the *Times*, which are so frequently referred to by Hon. Members opposite as the basis of their opinions, and I do not think I could have quoted stronger ground. The Right Hon. Gentleman's suggestion really is that auditors are afraid to make properly informative reports because in some instances they may lose their job. If that is the position, it is high time a statutory certificate should be laid down. The amendment imposes a statutory duty on the auditor to make a specific and special report in any case where he is not satisfied—a report that is to be available to all the shareholders. We regard this as a very urgent and necessary reform in the interests of the shareholders and of the investing public and I hope not only Members on this side but those who hold the view of the Hon. Member opposite, who has on the paper a longer and even more drastic amendment than mine, will give us their support.

Sir P. CUNLIFFE-LISTER: I must say that I regret the tone in which this amendment has been moved, and I think it casts a wholly unwarranted reflection upon a very great and distinguished profession. The responsible accountants and auditors of this country are men, I believe, of the highest possible standing, as well as of the highest possible ability, and are actuated by a very high sense of duty in the discharge of their work. They do not feel themselves governed merely by the letter of the law. You will find here and there in any profession people who are not up to the general standard. There is no profession any of us has ever belonged to which would not be subject to that condemnation in general. I am convinced that auditors regard their onerous work as a high duty and discharge it to the very best of their ability, and have as high a sense of duty to shareholders and to the public in general as any other set of men. I should be very sorry if Parliament ever proceeded on any other assumption. I am certain it is not warranted by the facts. What the amendment proposes is that a number of specific requirements, in addition to those laid down by sect. 113 of the Act of 1908, shall be imposed upon auditors. That section lays down, first of all, that every auditor shall have a right of access at all times to the books and accounts and vouchers and shall be entitled to require from the directors

and officers of the company such information as may be necessary for the performance of his duties. It goes on to say they shall make a report to the shareholders on the accounts examined by them and on every balance-sheet laid before the company in general meeting, and the report shall state whether or not they have obtained all the information and explanations they have required and whether in their opinion the balance-sheet is properly drawn up so as to exhibit a true and correct view of the company's affairs according to the best of their information and the explanations given them, and as shown by the books of the company. The Greene Committee considered this matter in great detail and had very full evidence before them, representative evidence from auditors of what they found and representative evidence of various kinds, and they came to this conclusion:

> "We are of opinion that, in general, the law as it stands with regard to the powers and duties of auditors is satisfactory. It would be a mistake in our view to attempt further to define these by statute, having regard to the multifarious circumstances which in practice arise. It appears to us far better that the law should retain its elasticity in this respect than that an attempt should be made to confine it within the bounds of a rigid formula. cases in which auditors fall below the level of their duty are few and far between. On the other hand, we consider that the protection which the ordinary 'wilful default' Clause gives to auditors, as was decided in the *City Equitable* case, is as unwarranted as it is in the case of directors and we recommend that it should be forbidden. As a corollary to this, we consider that auditors should be entitled to relief under sect. 279 in the same manner as directors."

In Clause 77 of the Bill that recommendation is carried out, and that would meet the happily rare case of an auditor who abuses his position and fails to discharge his duty and acts either with gross negligence or impropriety. The right of Articles of Association to safeguard them is taken away and the auditors and directors are put in exactly the same position. That seems to me to be the right way to meet this, to deal with the bad cases you run up against and make quite sure that the occasional and rare bad auditor is not safeguarded.

> "Certain of the alterations in the law which we have recommended on the subject of accounts will strengthen the position of auditors by giving statutory sanction to what is already the best professional practice. The *City Equitable* case has also drawn attention to the question of the duties of auditors in connection with the verification of securities belonging to the company. It has been suggested to us that a certificate which an auditor should be entitled to accept as to the existence and custody of a company's securities should be fixed by statute, *e.g.*, the certificate of a bank. The evidence does not in our opinion show that any such change in the law is required. Circumstances may justify the acceptance of a certificate in one case which a careful auditor would refuse to accept in another, and we would prefer to see the matter left to the ordinary law of negligence, which is sufficiently elastic to meet all cases as they arise. Our recommendation with regard to 'wilful default' clauses in Articles gives point to this argument."

That is Clause 77, which deprives them of the excuse in the case of negligence. I think the Committee will agree that that considered finding of the Greene Committee represents the common sense of the position. I am certain if you attempt to lay down a list of duties the auditor ought to discharge you are not going to heighten the standard which auditors throughout the country accept. You are going, as a matter of fact, to make their job very much more difficult and the discharge of it, on the whole, much more unsatisfactory. The whole of these new proposals that are launched at us seem to rest on the assumption that the auditor is to become a new department of the company, and that his job is not to do the audit, which auditors are competent to do, but that he is to be a court of review, not only to ascertain the facts of the company, but to decide whether their policy is right or wrong. As far as I can make out, the proposal is that auditors should be in the same position as a committee called upon to report upon the company. These are two very different things. You ask him to make valuations. You cannot make an auditor into a valuer. The only result of laying down a number, and certainly not a complete number, of things an auditor ought to do is going to make a bad auditor satisfied by doing the mimimum that is laid down and, at the same time, to make the job of the good auditor, and that is the majority, infinitely more difficult. It is going to cause him to make reservations where reservations are not in the least necessary.

Mr. ALEXANDER: What words are there in the amendment that are going to make the job of the good auditor more onerous?

Sir P. CUNLIFFE-LISTER: As I understand it, the amendment adds nothing to what is already laid down in sect. 113 of the 1908 Act. That section will still stand, and no amendment is required. What is meant by the amendment is that further requirements are going to be placed upon auditors.

Mr. ALEXANDER: No.

Sir P. CUNLIFFE-LISTER: Then it is a foolish amendment, and we can dispose of it at once. The Hon. Member began his speech with an attack on auditors in general and he said they had to be very carefully chained up. Therefore either the amendment is intended to put just those restrictions upon auditors, just that limit of discretion which the Greene Committee stated would be unwise, or it means nothing. If it means nothing, I invite the Committee to reject it as being a bad re-drafting of sect. 113. If it means to limit and cabin them, I invite the Committee to reject it upon the findings of the Greene Committee. I have not the least doubt that the success that is going to attend the work of auditors of high standing which auditors can and do display depends not upon the details that are put into an Act of Parliament, but upon the high standards of a great profession.

Mr. LOOKER: On a point of order. Am I right in understanding that the arrangement is that we should enter into the pros and cons of both these amendments now and, when the discussion is over, vote on both? If that is so, I ought perhaps to inform the Committee that in view of the previous amendment on the paper in the name of the Hon. Member opposite, which covers much the same ground, I propose to submit my amendment in a different form. It might be useful if I indicate the manner in which I propose eventually to move it.

The CHAIRMAN: That would be as well, but there will be another amendment between this and that of the Hon. Member.

Sir P. CUNLIFFE-LISTER: I presume we shall not have a second debate on it?

The CHAIRMAN: I cannot help that. I understand the redrafted amendment of the Hon. Member for South-East Essex (Mr. Looker) will come as (*c*) and not (*b*).

Mr. LOOKER: That is so. Perhaps it will be for the convenience of the Committee if I indicate the form in which I propose to move my amendment. It will read as follows:

"(*a*) The following additional paragraph shall be added to sub-sect. (2):

(*c*) The report shall also indicate in a prominent manner in what respect, if at all, they have failed to obtain any information or explanation required by them, and shall also indicate any assets in the balance-sheet the amounts of which they have not been able to verify otherwise than by reference to statements or valuations made by managers or other persons employed by or interested in the company, or for which they do not otherwise accept any responsibility, and shall draw attention to any other matters to which they consider the attention of members ought particularly to be drawn."

I do not propose to submit the second paragraph of my amendment as it appears upon the paper, because, since it was put down, I have had the advantage of considerable discussion with various persons of great experience in company law, and I find that the general view is that it would be inadvisable to impose upon directors a liability such as is indicated in that part of the amendment. I, therefore, confine my amendment to the question of imposing on the auditors the duty of drawing attention to any items for which they take no responsibility.

Miss LAWRENCE: The President of the Board of Trade has sought to ride away on the question of auditors. He says they are "all honourable men" and that the remarks of a certain City editor and of some of my hon. friends sitting here, as to whether they can be completely and fully trusted in all cases to do what is necessary, are most offensive to an honourable profession. It is, of course, an honourable profession, but there are other people besides the City editor of the *Times* who express some doubts as to whether the free and unfettered discretion of auditors does not need some safeguards. Somebody has asked "Who is the City editor of *these cases?*" I will take the evidence, on this point, of a gentleman representing the Council of Associated Stock Exchanges. I would point out that there are some who share the apprehensions of my hon. friend here that auditors in all cases cannot be trusted with a free hand. I think the body I have mentioned is well known; I do not think anybody will ask what is the Council of Associated Stock Exchanges. And one of their demands will be found in Appendix Q of the Greene Committee's Report:

"That a certificate of values must be made by a properly qualified person or persons, and profits certified by a disinterested certificated accountant."

They explain that there might be certain very bad cases, and in Question No. 2871, for instance, the witness says——

Mr. HERBERT: Who is the witness?

Miss LAWRENCE: Mr. Henry D. Lawrie, representing the Council of the Associated Stock Exchanges. He speaks there of one or two places where an accountant's certificate had been traced to the man's own office. That is not a very good thing, and they, therefore, lay down the restriction that the auditor should be disinterested. In that way, I submit, they put on record the fact that auditors are sometimes, in the opinion of this body, not disinterested, and that is going a great deal further than either my hon. friend or the City editor went in this matter. In truth, it is the clumsiest thing in the world, when it is said that any disgraceful members of any profession should be restrained, to fly off with statements about the honourableness of the profession.

The LORD ADVOCATE: Will the Hon. Member kindly state the number of the question again?

Miss LAWRENCE: Yes; it is No. 2871, on page 151.

The LORD ADVOCATE: That refers to accountants. There is nothing about auditors in it at all.

Miss LAWRENCE: I think they go on to say something about the desirability of having disinterested auditors. I think the reference to disinterested auditors is in Appendix Q.

The LORD ADVOCATE: There is not a word about disinterested auditors in this question.

The PARLIAMENTARY SECRETARY to the BOARD of TRADE (Mr. Herbert Williams): No; it is all in reference to accountants.

The LORD ADVOCATE: On which question does the phrase "disinterested auditors" occur?

Miss LAWRENCE: It is "disinterested accountants"; that is quite true.

Mr. ALEXANDER: My hon. friend is referring to the remarks made by the President of the Board of Trade upon my speech. The Right Hon. gentleman said we ought not to make any suggestions against the great and honourable body of accountants from whom auditors are drawn, and the Hon. Lady is quite entitled to reply to him on that point by instancing the remarks of this witness.

Mr. HERBERT: But the Hon. Member knows perfectly well that we talk in common language about the profession of accountants—that is a strictly limited profession of Chartered Accountants or Incorporated Accountants—qualified accountants. The word "accountants," by itself and in this connection, denotes a gentleman who is supposed to be able to count up figures. He may be nothing more than a clerk in the office.

Mr. ALEXANDER: Will the Hon. Member tell me where is the statutory requirement that the accounts of public companies shall only be audited by a member of the Chartered Accountants' Association or the Incorporated Society? There is no such requirement.

Miss LAWRENCE: What I want to know is what is an auditor?

Mr. H. WILLIAMS: A person appointed by the shareholders.

Miss LAWRENCE: All right. Then an auditor may be anybody in the world, who can or cannot add up figures, appointed by the shareholders. There is nothing to prevent me auditing the accounts of the greatest company in the world or the most disreputable little company in the world.

Mr. H. WILLIAMS: If the shareholders appoint you.

Miss LAWRENCE: Certainly, and if the directors were going to have a ramp, then their appointment of some person in the office or of a person who is utterly incompetent to deal with complicated business, would be a very likely thing.

Mr. H. WILLIAMS: Appointed by whom? The appointment would be by the shareholders.

Miss LAWRENCE: I know public meetings, and of all public meetings a shareholders' meeting is the easiest to manage. A meeting of shareholders is most helpless in the hands of those on the platform, as any gentleman knows who has been a director of companies.

Mr. ALBERY: Does the Hon. Member know of any single instance of any public company of any standing whatever

whose accounts are not audited by a Chartered Accountant or an Incorporated Accountant?

Mr. ALEXANDER: Yes; there are numbers of them.

Miss LAWRENCE: I know quite well that when we put down an amendment trying to restrict auditing to Chartered Accountants, we had great heaps of letters pointing out that this would be contrary to practice and would inflict hardship upon professional men and people conducting reputable companies. We are not legislating for the thoroughly respectable honourable people.

Mr. HERBERT: We are.

Miss LAWRENCE: If everybody were thoroughly honest, we would not need to have this law or any law in the wide world. Nine-tenths of our legislation is directed against people who are not honourable; our eyes in these matters are not fixed upon what perfectly honourable business people do. You want to let them alone as much as possible; your whole object is to restrict the rogues. I come back to the point that the difference as between accountant or auditor is not very vital, and that on this matter the Council of Associated Stock Exchanges asked for some protection. One of the things for which we ask is that the profit and loss accounts of subsidiary companies should be clearly stated.

Colonel WOODCOCK: I was very much surprised to hear the Hon. Member for Hillsborough (Mr. Alexander) make a speech such as we rarely hear from him. I think on this occasion he has been unfair to the class of auditors whose professional status is very high. As a rule, the Hon. Member is very fair, and I am sure he does not want to spoil his amendment by attacking a whole professional class. I feel that nothing could be further from the Hon. Member's wishes than to attack a body of gentlemen of high integrity in their profession. As everybody knows who is acquainted with the profession, these gentlemen, both individually and in their professional associations, maintain the highest standard.

Mr. ALEXANDER: To what associations does the Hon. and gallant Member refer?

Colonel WOODCOCK: The Association of Chartered Accountants and the Society of Incorporated Accountants.

Mr. ALEXANDER: They are not auditors.

Colonel WOODCOCK: Auditors belong to them, and, as has been pointed out, there is no responsible large company the accounts of which are audited by an accountant who is not a Chartered Accountant or a member of the Incorporated Accountants' Society.

Mr. ALEXANDER: I had an amendment upon the paper which would have required all accounts of public companies to be audited by a public auditor, approved under the regulations of the Treasury. It was proposed to make it compulsory that these auditors should belong to one or other of the two bodies to which the Hon. and gallant Member has referred. I had numerous letters from members of other accountancy associations protesting that they would lose their work as auditors if my amendment were carried.

Colonel WOODCOCK: Yes; but it is my experience that it is only in the case of the very smallest companies that the accountants are not Chartered Accountants or Incorporated Accountants. The whole profession of accountancy has been raised in a very marked degree since the Companies Acts were first passed, but you are not going to legislate against fraud. These great company frauds will never be stopped by legislation.

Miss LAWRENCE: Why not?

Colonel WOODCOCK: It is a well known axiom that you cannot legislate against fraud. You can provide means, possibly, through the legislative machinery to stop the crook and punish him in order to act as a deterrent, but if fraud is going to take place no amount of company certificates that you may put at the bottom of a balance-sheet will stop it. The Hon. Member for Hillsborough (Mr. Alexander) referred to Avery's. That certificate was perfectly good. He said "subject to the Articles of Association," but he knows quite well that the Articles of Association will not over-ride the Companies Act, and probably that certificate had a strengthening effect, by certifying it not only according to the Companies Act, but according to any special condition that might have been in the Articles. I think that is in favour of the auditor rather than against him. With regard to the financial critic of the *Times*, I think it is a very improper statement to make to accuse auditors of being afraid of losing their jobs, and for that reason not giving proper certificates and not explaining fully to the shareholders whether they have found anything detrimental to the interests of the shareholders. The auditor is the policeman of the shareholders. He is there to find out things, and he has to face not only the shareholders and the Court if anything goes wrong but his own professional association, who are as keen on seeing that he does the right thing as are the Law Society with regard to solicitors. If there was anything in this certificate I should certainly support it, because we, as business men, want to find out everything that should be given from a shareholder's point of view. The Hon. Member for East Ham North (Miss Lawrence) quoted from a member of the Council of the Associated Stock Exchanges, but she did not tell us that it was nothing to do with the balance-sheet. If she had read it out, it would have been seen that it referred to the prospectus, but the auditor whose name appears on the prospectus was not put there by the shareholders.

Miss LAWRENCE: I do not want to be troublesome, but if an auditor, generally speaking, cannot be quite trusted in certain cases of balance-sheets—

Mr. H. WILLIAMS: It was not a balance-sheet.

Miss LAWRENCE: I mean a prospectus—it is not an illegitimate inference that he could not be quite trusted in other cases.

Mr. H. WILLIAMS: It is not the auditor.

Miss LAWRENCE: An auditor is anybody whom the shareholders appoint.

Mr. H. WILLIAMS: This one was not appointed by the shareholders.

Colonel WOODCOCK: The Hon. Member read the quotation incorrectly. The evidence given referred to the prospectus, and the name of the auditor is put on by the promoters of the company. When it comes to the shareholders to appoint an auditor, if they do not agree with him, or if he has certified anything incorrectly, they will vote against him; but they did not appoint him in this case, and I think it was wrongly suggested that they did. I hope the Hon. Member for Hillsborough, when he thinks it over, will see that he is not going to do any good by having this fixed form. Auditors are getting more stringent than ever. I am sure they will never be intimidated, even though the financial critic of the *Times* says so, and I should have admired the statement that the Hon. Member read much more if there had been a name appended to it. When we get an expression of opinion and the man expressing it appends his name, we attach far more weight to it than we do to the financial editor of the *Times*, or the critic who does not append his name. It may be anybody. I think the auditors are doing their work for companies splendidly, and if we are going to have a public accountant

who is a Chartered or an Incorporated Accountant he can be trusted to see that the interests of the shareholders are carried out.

Mr. SANDEMAN ALLEN: I think it is only right to say, particularly in view of the remarks that have been made from time to time, that some of us came here to-day with a perfectly clear and decided opinion on this subject. Although I have a very high regard for the views of the President of the Board of Trade, I was quite prepared to express my own. Happily, he has, in much better language than I could use, expressed pretty nearly all that I wanted to say, but there are two or three things directly bearing on the amendment to which I wish to call attention. First of all, I would like to point out once more the concluding paragraph of the Greene Report on this subject, at the bottom of page 37, where it states:—

> "Circumstances may justify the acceptance of a certificate in one case which a careful auditor would refuse to accept in another, and we would prefer to see the matter left to the ordinary law of negligence, which is sufficiently elastic to meet all cases as they arise."

That is the first point which I want to mention. After all is said and done, we have been talking too much, perhaps, on the side issue about auditors. The object of having an auditor is to have an independent judgment brought to bear on the accounts and on the state of affairs of a company. It is true that there are cases of delinquency, such as that quoted by the Hon Member for East Ham North (Miss Lawrence), which may or may not have had direct reference to the subject. We cannot legislate, however, for one or two cases. Hard cases make bad law, and we have to draw a very clear distinction in our minds—and that is the greatest difficulty in discussing these matters in this Committee—between taking care to do as much as we can to prevent fraudulent and unsatisfactory actions, and at the same time realising that the vast majority of public companies in this country are doing their business in a proper manner and that to hamper them by unnecessary restrictions is not wise. There is a tendency in certain minds to invoke the law, to put it into the hands of the bureaucrats, and to have it all handled for you, but that is not the way in which the public companies and the business of England are run. There are such vast differences in businesses that I think we should make a very grave mistake in unnecessarily tying things up. May I read the actual position of the law to-day? It seems to me that nothing could be clearer. It is:—

> "The auditors shall make a report to the shareholders on the accounts examined by them, and on every balance-sheet laid before the company in general meeting during their tenure of office, and the report shall state—
>
> (*a*) whether or not they have obtained all the information and explanations they have required; and
>
> (*b*) whether in their opinion the balance-sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company."

Since that law was passed it has been an invaluable help to auditors and companies generally. It is a perfectly clear principle, and unless we are going to have automatic regulations which tie up everybody and do not ultimately result in anything satisfactory, it is far better to leave it to the judgment of the auditors, for whose appointment, of course, the shareholders themselves are responsible. While I quite appreciate the point made by the Hon. Member for Hillsborough (Mr. Alexander), I think he went off at a tangent in suggesting that even the people he quoted were demanding legislation. What they were pointing out was the desirability of bringing the pressure of public opinion to bear upon auditors as a whole to see to it themselves that they realise more fully, if possible, their responsibilities—and enormous strides have been made in that direction—because it is to them that we look. I strongly support what the President of the Board of Trade has said, that it would be a grave mistake to interfere with the present position of the Companies Act, which is perfectly clear and leaves it to the responsible gentlemen who have been chosen by the shareholders themselves to give a public and independent report on the proceedings of the company.

Mr. T. WILLIAMS: I should like, with my hon. friend the Member for East Ham North (Miss Lawrence), to deprecate the suggestion of the President of the Board of Trade, who, I think, deliberately misinterpreted the point of view of the Hon. Member for Hillsborough (Mr. Alexander) when submitting the case in favour of this amendment and quoting two eminent authorities who had referred to this particular subject. Obviously, the Hon. Member for Hillsborough had no intention of reflecting upon the whole body of auditors in the country, and even though the right hon. gentleman went on in that tone for a considerable time, he failed to reply to the one simple question that my hon. friend had submitted. It is perfectly true that, in the usual debating style, he said that if the amendment does not impose a further duty on the auditors it is useless, and that if it does impose a further duty on the auditors it should be rejected on that ground; but he would not condescend to indicate to the Committee which were the offending words in the amendment. It seems to me that the right hon. gentleman treated the Committee with scant courtesy when he refused to give a solitary reason why the amendment should not have been seriously considered. Of course, auditors generally have a high sense of public duty, and so have politicians, and invariably, notwithstanding anything that may be said to the contrary, we are legislating not for the large body of honest, conscientious, scrupulously fair officials, but for the few who are not calculated to give of their best, either to public companies or to shareholders. In a Bill like this we are dealing with the few, not with the many, and, as has already been said, the auditor who performs his duties in a perfectly scrupulous way would comply with every single letter contained in this amendment. It is the few who will not do their duty at whom this amendment is aimed. Might I remind the right hon. gentleman, when he suggests that a reflection is being cast upon public auditors, upon men who have a high sense of public duty, and so forth, that there are lots of other people who have a high sense of public duty? Even politicians are regarded as having a high sense of public duty, but surely the right hon. gentleman would not dare to suggest that Members on these benches would always accept either the actions or the statements of Members on those benches as having arisen from a high sense of public duty instead of sometimes for the purpose of serving possibly a few individuals. I cannot forget that in 1926 we had the Government, who were elected to express their high sense of public duty, legislating for a handful and ignoring millions of people. May I suggest that, while it may be that one does not desire to bring forward a name here and a name there, there are a number of cases actually brought to the public notice of auditors who have failed in their duty to the shareholders, that is no argument against an amendment of this description? The right hon. gentleman will know that men and women are not prosecuted for being thieves. They are prosecuted only for being caught, and while it may be that a very small number are brought to the public notice, there may be large numbers of delinquents

who are not doing their full duty, either to the shareholders or to other sections of the community. Therefore, the argument is not strictly relevant, and it seems to me that the amendment is quite reasonable. It does not impose any extraordinary duties upon the auditor over and above those that he has to carry out to-day, and it might very well have been accepted by the right hon. gentleman, if he wanted to concede to shareholders that to which they are entitled. The hon. gentleman who spoke last referred to the Greene Committee Report as justification for opposing the amendment. Let me repeat what he quoted:—

> "Circumstances may justify the acceptance of the certificate in one case which a careful auditor would refuse to accept in another, and we would prefer to see the matter left in the ordinary law of negligence, which is sufficiently elastic to meet all cases as they arise."

The usual procedure, which one might expect the right hon. gentleman to follow, is to deal with effects, and not to deal with the real cause. Instead of that quotation being contrary to the amendment, it ought to be helpful, and this Committee ought to be dealing, not with effects, but the antecedent causes. The hon. gentleman quoted the existing law, and urged that auditors have access to all books, documents, certificates, and so forth, which they require. What the amendment suggests is that, instead of it being left purely to the auditor to determine whether he shall or shall not perform his duty in the fullest sense, and safeguard the interest of the shareholders, and be their watchdog, he ought to examine certificates, documents and so forth. There is nothing inconsistent in that with what should be the idea of performing the duty in the high public interest. My hon. friend the Member for Hillsborough (Mr. Alexander), brought forward two substantial authorities, which the majority of hon. gentlemen on these benches would accept in nineteen cases out of twenty, but because, in this particular instance, it does not seem to meet with their ideas, they deprecate not only the two gentlemen who were quoted, but anything that they may say or write. That is rather inconsistent, and I would suggest that it is perfectly true to state that, while the large number of auditors audit the books and accounts of large companies in a way that will meet all the needs, there are doubtful cases, and I am willing to concede that no Act of Parliament can impose super honesty upon every one of the people of this country. But at least we ought to insist that, where there are any loose places through which delinquents can escape, we ought to close them, and, as far as we can, deal with the cause instead of doing what the right hon. gentleman would do in this case, wait until there has been a delinquent and then send him to gaol. The words of this amendment neither reflect upon existing auditors, nor upon existing companies, but they would do something to insist upon all auditors carrying out their duties, and acting as the real watchdogs of the shareholders.

Mr. LOOKER: My amendment as it now stands is in a simple form and confined to one particular feature of the auditors' report. I must say that after listening with great attention to the President of the Board of Trade I did not gather that he put forward any grounds which really related to the merits of my amendment, and I should like to indicate again exactly what it is that my amendment as now framed proposes to do. It proposes to do nothing more than impose upon the auditor obligations to state in his report any features or any valuations in the balance-sheet for which he did not accept responsibility. I do not like to trouble the Committee with too many quotations, but I should like to make one from the *Times Trade and Engineering Supplement*, printed on March 26th. Whatever differences we may have with the views expressed by the financial editors of responsible papers, we all agree that they are animated by nothing but a sense of public duty, and a desire to protect the interests of shareholders and companies alike. This article concludes in the following way:

> "The Government has in hand a Companies Amendment Bill, and the moment is opportune to consider whether there should not be some simple changes in the law as will, at any rate, ensure that it will be henceforward impossible for any auditors to issue certificates which omit to give a frank note of warning when necessary."

It is the sole object of my amendment that auditors should be under an obligation to direct the attention of the shareholders to any features of the balance-sheet to which they think their attention ought to be properly called.

Sir P. CUNLIFFE-LISTER: The hon. gentleman says that that is all his amendment does, but it is not. His amendment makes the auditor in every case a valuer, or if it does not, he has to make reservations about anything which is subject to valuation. I cannot imagine anything more misleading.

Mr. LOOKER: The right hon. gentleman seems to have completely misconceived the object of this amendment. It is obvious that no auditor can be responsible for valuations placed upon items which he is not competent to form an opinion about. It is for that reason that this amendment has been designed, so that the attention of the shareholders can be drawn to such items.

Sir P. CUNLIFFE-LISTER: Then every balance-sheet would have a reservation.

Mr. LOOKER: Is there any reason why it should not? I have seen a number of auditors' certificates at the end of balance-sheets saying that they have accepted the valuation of the managers for stock as being correct, but they do not accept responsibility for it. It is that small obligation that this amendment seeks to impose. The public have got into their minds the idea that, just because they see at the foot of the balance-sheet an auditor's certificate, signed by a well known firm of accountants, everything is all right with the company, and that they need not pay any more attention to what is laid before them. It is the object of this amendment to draw their attention to the fact that they should not rest content with that attitude, but should study the auditor's certificate with greater care. The best method of ensuring that abuses do not prevail, and so far as we can ensure it in the company law is to ensure that, so far as possible, the utmost publicity shall be given to a company's accounts and to everything which really requires public attention. If we accept this amendment it will only carry out what in practice is carried out by many auditors, and it will relieve them from any position of doubt or uncertainty as to what their functions are. In that respect it will be welcomed by the auditor's profession. As the writer of this article says:

> "If it were made compulsory for all auditors to report in definite terms on certain specified points there would no longer be the danger that an honest auditor might suffer the loss of his appointment because he insisted on warning the shareholders of a company of its true position by inserting a qualifying phrase, or that an even less honest auditor would give an unqualified certificate when certain points on which he was uneasy had not been satisfactorily elucidated."

In my own experience, I have known an actual case in which the auditors had been put in great difficulty as to putting something in their report, which they thought ought to be put in, because they met with intense opposition from

the directors. If we can free them from any trouble of that sort, by imposing a very natural obligation on them to draw the attention of the shareholders to anything of this nature, we should be doing a great public service.

Mr. STEPHEN: There is a great misconception with regard to this matter. The Hon. Member for Hillsborough (Mr. Alexander) quoted a statement by the City editor of the *Times*, and that has been taken as a reflection upon the auditors. There is no reflection upon the auditors at all in those words. As far as I can see there is no intention on the part of that City editor to say that there are crooks among auditors or that there are weak, back-boneless people among them. He is saying that these people are in a position in which their own material prosperity may be very adversely affected if they take a strong line on certain occasions. It is the business of Parliament to try to strengthen the hand of the auditor. This amendment is not a reflection upon auditors at all; it is a proposal to strengthen their hands and to put them in a more favourable position. A man ought to have a certain amount of liberty in carrying out his work, a liberty free from the consequences of his own circumstances being impaired because he acts in an independent fashion. In the interests of the shareholders and the auditors there ought to be this alteration made.

Mr. HILTON: Suppose that auditors decided to recommend to the shareholders a certain policy and it went wrong?

Mr. STEPHEN: The amendment does not ask that an auditor should be put in a position of a roving commissioner to make reports on this and that. You are dealing with ordinary, reasonable men. The auditor has to make a report. There are valuations which he thinks are grossly exaggerated. It may be the policy of the directors that those valuations are still to go into the balance-sheet. If they have a real good reason for that, a reasonable man will be able to take account of the fact. He will not have any alarm with regard to the future. That is all the amendment seeks to do, to put the individual into this position, to be able to put relevant, material considerations before the directors, who will be compelled to give attention to them. You are putting the auditors in an unfair position unless you give them the protection of the amendment. It is an absolutely unfair position in which they are being placed. I cannot see any reason why we should not be unanimous on this. The right hon. gentleman got very excited at the statement of one of his own supporters and saw no reason why the auditors should make reservations in every balance-sheet. It would have the very opposite effect. It would put the auditors' report into its proper place and the accounts of the company would have to stand on their intrinsic worth. I have an experience of a case in which the auditors drew attention to the over-valuation of assets, and did it with the approval of the directors, though it was not a big concern in which a lot of people were interested; but it was a far more satisfactory balance-sheet with that statement. Auditors are ordinary human beings. There are good and bad among them just as there are good and bad in this Committee. [*Interruption.*] I am willing to admit that there is a good deal of bad in me, though I would never agree that the Hon. Member who interrupted is a saint who should be wearing a halo round his head for the rest of his life.

The CHAIRMAN: Will the Hon. Member please address himself to the amendment.

Mr. STEPHEN: Auditors are ordinary individuals, good and bad, fair and moderate, with various gradations among them, and no one would suggest anything else—men with a good record of integrity. There is no attempt being made in the amendment——

Sir P. CUNLIFFE-LISTER: The Hon. Member has said that before. I want to make an appeal to the Committee. They have all said they are very anxious to get forward with the Bill. Having had this very full discussion, can we now take our two divisions by agreement? It rests in the hands of any member of the Committee to prevent the Bill becoming law, but I believe we all want to get forward with it whether we agree with details or not.

Mr. STEPHEN: I protest most strongly against the right hon. gentleman's statement. It cannot be said that I have ever taken up a large amount of time. I regard it as discourteous in the extreme to interrupt in the way the right hon. gentleman has done. It is quite in keeping with various characteristics which have endeared him to members of his own party, and on this side as well. There is one Hon. Member on the back seat who was treated in the same discourteous fashion. I believe the right hon. gentleman would get forward with the Bill much quicker if he would show common courtesy. No attempt is being made to belittle auditors, but it is the duty of the Committee to give them an opportunity of carrying out their work successfully in protecting the interests of the shareholders.

Mr. CRAWFURD: I was not here when the original discussion took place with regard to the integrity of auditors. I shall not, I hope, incur the censure of the right hon. gentleman on that ground, but I want to make one or two suggestions which seem to me to be practical. I have been studying very carefully the amendment of the Hon. Member for Hillsborough. It affects to some extent paragraph (2) (*b*) of sect. 113 of the Act of 1908. It covers the same ground. It contains four practical points. First it makes clear that the auditors have examined the books. The words of sect. 113 are that the auditor shall make a report to the shareholders on the accounts examined by them. That seems to me to be covered. At the end of the amendment the Hon. Member asks for three things. The auditors shall say the accounts are correct, duly vouched and in accordance with law. Surely he realises that "correct" is not a good word. In the 1908 Act it says they shall say whether in their opinion the balance-sheet is drawn up so as to exhibit a true and correct statement of the company's affairs. That is a much better way of expressing it. "Duly vouched" is covered by the Act. As to "in accordance with law," I do not think you can make the auditors judges. They have their duty to carry out. I do not think you could possibly ask an auditor to give an opinion as to whether a certain thing is or is not legal. I do not see, having in view the provisions of Clause 77, that very much is going to be gained by the amendment. When the Hon. Member opposite spoke with reference to his amendment the right hon. gentleman was a little impatient with him. I know the right hon. gentleman has been giving a very great deal of trouble and time and attention to the matter. There was a recent case where one large business took over another, and under circumstances of that kind you might have had an appeal to the public for capital. The people who subscribe may find that the ordinary balance-sheet which was accepted by the purchasing company shows a very false view of the state of affairs. If it is possible, there should be a little more consideration of that.

Mr. ALEXANDER: We regard this as an extraordinarily important amendment. Although the Hon. Member who has just spoken [illegible]s perhaps put the strongest case of all, there has been no real case against it. He says sect. 113 really covers the main ground we are putting. I submit it does nothing of the kind. He says we are weakening it because we do not include the word "true," but we insist that the auditor shall verify with books and documents. Therefore it must be a true statement. Compare this with the existing

practice. This is what I want to put strongly to Hon. Members opposite who seem to think I have deliberately cast reflections upon an honourable profession. If I have said anything that they interpret in that way I want to make it plain that the criticisms I have to offer are not solely mine. They are points of view that are held widely by the investing public and by auditors' associations themselves. There have been sheaves of correspondence in the *Times* and in papers like the *Secretary* and the *Accountant* from qualified members of both associations stating that the auditors' practice was not sufficient to show the true position of a company. I quoted the other day in the balance-sheet of the Union Cold Storage Company, which lumped in the balance-sheet a whole range of sundry creditors, loans and balances, in one item to the extent of £8,000,000 or £9,000,000. That was certified by the auditors as conveying to the shareholders a true and correct position of the company. The auditor must know that, in cases like that, the ordinary shareholder cannot possibly obtain the true position of the company from figures of that kind. Yet that is the balance-sheet which he certifies. I have here a letter which was sent to the *Times* by a very well-qualified accountant on September 28th, 1926:

> "The lucid remarks which appeared in your City Notes under the heading 'Public Companies and Publicity,' on the 27th inst., invite the attention of investors. . . . . You say: 'It is as much the duty of auditors to reveal under-valuation as over-valuation. Companies . . . . ought to realise that an obligation rests upon them to state the true position in their balance-sheets, and not to suppress the real facts.' This statement, with which I do not quarrel, raises a question as to what is the correct interpretation to be placed upon the usual form of an auditor's report in which he states that: 'The balance-sheet is properly drawn up so as to exhibit a full and correct view of the state of the company's affairs.' The danger of the manipulation of profits to which you refer deserves the wide publicity it receives through your columns. Under the present interpretation of the law, even the auditor's certificate is no safeguard and shareholders are often left in the dark as to the actual position of affairs, as I have constantly pointed out during the last two years."

We are asking nothing unreasonable. We are only submitting what the members of the Chartered Accountants and the Incorporated Society have themselves pleaded for, agitated for, canvassed for, in the accountancy papers and the financial Press. To say that we are casting a grave reflection upon this professional body is beside the mark. If this amendment, or a similar amendment, is not carried, the present practice will go on, and even where auditors have formed a sound judgment as to the position of a company, they will be liable to be forced by the directors at least to modify their report, so as not to interfere with the policy of the directors at the shareholders' meeting. It will be a test of the *bona fides* of Hon. Members opposite in their desire to protect the public to see how they vote upon this amendment.

Question put, "That those words be there inserted."

The Committee divided: Ayes, 6; Noes, 21.

Sir P. CUNLIFFE-LISTER: I submit that the amendment of the Hon. Member for South-Eastern Essex (Mr. Looker) shall be disposed of now. There was an agreement, for the general convenience of the Committee, that after this discussion the amendment should be moved, and, if it were carried, any slight adjustment necessary as to the place where it is inserted could be made on Report stage. I will undertake to bring in the necessary amendment on Report.

The CHAIRMAN: The only question which arises is whether the Committee will agree to that course or not. The attendance in the Committee on the next occasion may not be the same as it is to-day.

Sir P. CUNLIFFE-LISTER: I submit that we should carry out the agreement which was made.

Mr. ALEXANDER: I think it is essential that our position in regard to our amendment should be safeguarded. I want to raise a question relating to company law in India, which is a point of some importance, and I suggest that if it is not convenient to go on with the amendment now, we ought to wait and take it at the next meeting.

Sir P. CUNLIFFE-LISTER: The agreement was that we should take a general discussion on both these amendments. We have done so, and I suggest that the amendment of the Hon. Member for South-Eastern Essex should be moved at this point. That would safeguard the amendment which comes after it. If the amendment of the Hon. Member for South-Eastern Essex is carried, I will undertake to bring in a drafting amendment on Report Stage to put it in its right place.

The CHAIRMAN: It is for the Hon. Member for South-Eastern Essex (Mr. Looker) to move his amendment, and to say where he proposes to insert it.

Mr. LOOKER: I beg to move in sub-sect. (6), after the word "follows" ["Shall be amended as follows"] to insert the words:

> "(*a*) The following additional paragraph shall be added to sub-sect. (2):
>
> (*c*) The report shall also indicate in a prominent manner in what respect, if at all, they have failed to obtain any information or explanation required by them, and shall also indicate any assets in the balance-sheet the amounts of which they have not been able to verify otherwise than by reference to statements or valuations made by managers or other persons employed by or interested in the company, or for which they do not otherwise accept any responsibility, and shall draw attention to any other matters to which they consider the attention of the members ought particularly to be drawn."

Mr. ALEXANDER: I want to have a perfectly plain understanding of the position. I take it that this amendment now is to be put to the Committee, and voted upon formally. If it is carried, we shall take the subsequent amendment, and the President of the Board of Trade will see that the matter is put right upon Report.

Sir P. CUNLIFFE-LISTER: If this amendment is carried and if a drafting amendment is necessary to put it into its right place on Report, such a drafting amendment can be put down on Report.

Mr. ALEXANDER: And if the amendment is lost we go on as before.

Sir P. CUNLIFFE-LISTER: Then we go on to the next amendment on the paper.

Mr. LOOKER: On a point of order. The amendment on which I want the Committee to vote is the amendment in the amended form, is it not?

The CHAIRMAN: That is so.

Mr. ALBERY: I shall vote for my hon. friend's amendment, because I think the principle of it is right, though the details may need consideration.

Question put, "That those words be there inserted."

The Committee divided: Ayes, nine; Noes, eighteen.

THE NEW UNEMPLOYMENT INSURANCE ACT.

The new Unemployment Insurance Act which came into force on April 19th differs from recent Acts in that it is an attempt to put the difficult question of unemployment benefit on a real insurance basis. It is as permanent as is possible in these days of changing legislation, as there is no determining date as in recent Acts. It should prove beneficial to the insured person and quite fair to the ordinary public, as given a normal period of trade the deficiency period should disappear, thus contributions will be lowered and the fund become practically self-supporting. A new class is formed—young persons 18 to 21 years—who from July 5th will receive reduced benefits and from July 2nd pay reduced contributions, and the employer's share for this class is likewise lowered. A real improvement also is that for boys and girls of 16 to 18 years—receipt of benefit is made conditional on attendance at a juvenile employment centre where instruction is provided. The main condition is for the applicant to prove that *thirty contributions* have been paid in respect of him during the *two years immediately preceding* date of claim. An ex-service man in receipt of disability pension need only prove ten contributions. Sickness periods may be added to the qualifying period of *two years*, but not to exceed *four years in all*. Other conditions remain as statutorily provided for in former Acts, the chief being—

(1) That he is capable of and available for work.

(2) That he is genuinely seeking work, but unable to obtain suitable employment.

There is in this Act no limit to the days of benefit allowable, provided conditions are fulfilled, the old method of debit accounts—one contribution being deducted from total paid for each day of benefit received—is abolished, and each person starts with a clean sheet.

PROCEDURE.

The procedure will be that, providing the conditions are fulfilled, the claimant will be entitled to benefit, if and when required, any time during *first benefit quarter*—three months from date of claim to benefit. Each quarter is individual to each person—*i.e.*, intervals of three months. At commencement of second, third and fourth quarter claims will be re-examined, particularly as to the satisfying of the 30 contributions condition, and once passed benefit is payable by right until commencement of next quarter. But when 78 days benefit in the aggregate has been received in a period not exceeding six months, claims will be reviewed by a Court of Referees, to which tribunal claims in dispute will also be referred. Pending review by the Court of ordinary claims (78 days received) insurance officers are empowered to grant up to six weeks benefit, so that no claimant should be without benefit pending a decision.

After the lapse of such an interval from the date a person becomes unemployed, as in the circumstances of the case is reasonable—employment of a kind other than the insured person's usual occupation shall not be deemed unsuitable if it is at rates generally observed in that trade. The applicant remains registered in his own and usual occupation, but should if possible give an alternative occupation.

SUBSIDIARY OCCUPATIONS.

The question of subsidiary occupation is clarified under this Act. Formerly a subsidiary occupation must have been followed *prior* to making claim to benefit. Under the new Act such subsidiary employment can be accepted, provided it could ordinarily have been followed *in addition to*, and *outside* the ordinary working hours of the person's usual occupation, and *provided* remuneration for such subsidiary employment does not exceed 3s. 4d. per day—without prejudice to claimant receiving benefit by virtue of his ordinary employment. A person who is only employed in a *seasonal occupation* which does not ordinarily extend for more than eighteen weeks during any one year and does not follow any other insurable occupation can now claim exemption from insurance. But each case will be treated on its individual merits, and such persons must apply on the prescribed form, which is obtainable at the employment exchanges.

The employer must pay his share of contributions in these cases on an "exempt person's unemployment insurance" book.

TEMPORARY EMPLOYMENT.

A person obtaining temporary employment is now allowed a lapse of ten weeks, instead of six weeks, without breaking continuity of unemployment. Thus on re-registering after ten weeks (60 days) he is not required to give a further six days waiting period, but receives benefit at once.

TRANSITIONAL ARRANGEMENTS.

Transitional provisions are provided for the change from old to new Act. Persons in receipt of benefit at commencement of this Act continue to receive benefit under the old Acts until claims can be examined under the new. For those persons unable to satisfy the 30 contributions condition this is waived for claims made any time before April 18th, 1929, and as the claim form then signed remains active for twelve months from date of claim, it will be seen that this 30 contributions condition remains waived for some claimants until April, 1930. But a claimant under these provisions *must prove that eight contributions* have been paid in *the preceding two years*, or *thirty at any time*. A person in this class, however, in order to secure benefit, must appear before a Court of Referees and prove also that he is normally employed in an insurable occupation; that he will normally seek his livelihood by means of such, and has been employed in the said two years in insurable employment to such an extent as was reasonable in the circumstances of the case. A disabled ex-service man is exempt from proving any contributions if his inability to do so was due to his pensioned disability. It will be seen, therefore, that the public will be safeguarded against any unsatisfactory claim to benefit being allowed.

FUNCTIONS OF COURTS OF REFEREES.

These Courts of Referees function now for cases of qualification, but under the new Act they will be much increased in number and frequency of sitting. A Court is composed of a neutral chairman—usually a barrister, but in any case one with legal training—and assessors representing employers and employees. An applicant is allowed one witness. If the applicant obtains employment before the case is heard, and attendance at subsequent Courts means loss of time, expenses are allowed for such, and in every case expenses are allowed to the assessors who are good enough to sit. Under the old Act leave to appeal to the umpire from a Court's decision was given only to a trade union on a general point. This Act provides that such leave shall be given to an individual . . . . when it appears reasonable so to do.

ROTA COMMITTEES ABOLISHED.

Rota committees, which at present function for the granting of extended benefit, are abolished as being unnecessary. With the ending of extended benefit also ends the Ministry's discretionary power used in framing the regulations as to household earnings which were issued to these committees.

Benefit is now a statutory right in all cases, and no questions whatsoever should be asked as to earnings of wife, husband, children, or parents, as the case may be.

Alterations of Benefit.

From April 19th, 1928, the adult rate will be—

MEN 17s. weekly (a decrease of 1s. weekly).

WOMEN 15s. weekly (as now).

Adult dependants 7s. weekly (an increase of 2s. weekly).

Each child under 14 years (16 years if at school) 2s. weekly (as now).

Persons of 16 to 18 years—BOYS 6s. weekly (a reduction of 1s. 6d. weekly); GIRLS 5s. weekly (a reduction of 1s. weekly).

For the new class—YOUNG PERSONS 18 to 21 years—*Rates of Benefit as from July 5th* will be—

Persons of 20 years, but under 21 years—MEN 14s.; WOMEN 12s. weekly.

Persons of 19 years, but under 20 years—MEN 12s.; WOMEN 10s. weekly.

Persons of 18 years, but under 19 years—MEN 10s.; WOMEN 8s. weekly.

Note.—Until July 5th all persons over 18 receive benefit at adult rate. But providing any of the above classes receive an increase of benefit by virtue of dependants' allowance, benefit shall be allowed on his or her account at adult rate, even when the above rates come into force.

Contributions

remain the same, except for new class—18 to 21—which from July 2nd, 1928, will be—

YOUNG MEN .. 6d. employed person; 7d. employer.
,, WOMEN .. 5d. ,, ,, ; 6d. ,,

District Societies of Incorporated Accountants.

BELFAST.

ANNUAL MEETING.

The annual meeting of this Society was held at Belfast on April 27th. Mr. G. H. McCullough presided.

The report of the Committee and financial statement for the year ended March 31st, 1928, were approved and adopted. The following office bearers for the ensuing year were elected:—President, Mr. Fred Allen; Vice-President, Mr. James Baird; Hon. Secretary and Treasurer, Mr. Herbert McMillan; Hon. Auditor, Mr. Charles Magee; Committee: Mr. E. A. Anderson, Mr. Robert Bell, Mr. Norman Booth, Mr. James Boyd, Mr. Samuel Boyle, Mr. A. S. Courtney, Mr. J. S. Lewis, Mr. G. H. McCullough, Mr. A. H. Oughton, Mr. J. D. Thompson, Mr. J. S. White.

Mr. F. Allen presented Mr. G. H. McCullough with an office clock in recognition of his services as President for the last three years.

The meeting terminated with a vote of thanks to the Chairman.

CUMBERLAND AND WESTMORLAND.

The first meeting of the District Society to be held in Kendal took place on Saturday, April 28th, in the Kendal Public Library, when Mr. J. R. W. Alexander, M.A., LL.B., Barrister-at-Law, Parliamentary Secretary of the Society of Incorporated Accountants and Auditors, read a paper on "The Accountant and the Business Man." Mr. Edmund Lund, M.B.E., F.S.A.A., President of the Cumberland and Westmorland District Society, was in the chair, and the meeting, which had been organised by Mr. R. Simpson Duthie and Mr. Frederick Griffith, was well attended.

In referring briefly to the history of the profession of accountancy, Mr. Alexander pointed out that there was not a body of accountants in existence in the British Isles 75 years ago, and to-day the Institute and the Society were less than 50 years old. Nevertheless no less than 15,000 Scottish, English and Irish Chartered Accountants and Incorporated Accountants were now qualified, and this number was being increased at the rate of about 1,000 annually. The high standard of professional experience and examination which was required to secure admission to the Institute and the Society, together with the enforcement of a high code of professional etiquette and conduct, was of great importance to the public. It gave a sense of independence to the accountant and a feeling of security to the business man which was not otherwise obtainable.

The two chief causes of the tremendous expansion of the accountancy profession during the present century were undoubtedly the enormous growth of joint stock companies and the unprecedented extension of the incidence of taxation. The various kinds of work which the accountant had to discharge were considered and emphasis was laid upon those aspects which more immediately concerned the business man, such as financial and accountancy organisation and advice, taxation, costing, arbitration, winding-up, insolvency, trustee ship and executorship. Attention was drawn to the growing practice of appointing Incorporated Accountants as directors of companies, as financial advisers to large and small concerns, and as chief financial officers of companies and the like. Incidentally, reference was made to the inadequate attempt which was being made in the Companies Bill to secure more informative balance-sheets and profit and loss accounts, to the necessity for the protection of the auditor from arbitrary removal by directors, and to the deplorable aspects of the prevailing craze for speculation in stocks and shares.

In conclusion, Mr. Alexander said that membership of a profession connoted a realisation that there were duties as well as rights; liabilities as well as privileges. Incorporated Accountants fully realised their responsibilities in this direction and continued to prove themselves worthy of the designation which was theirs.

SOUTH WALES AND MONMOUTHSHIRE.

Annual Report.

PRESIDENT.

Mr. J. Pearson Griffiths, F.S.A.A. (Cardiff), was unanimously elected President for the year, and Mr. E. Mills, F.S.A.A. (Newport), was elected as Vice-President.

COMMITTEE.

At the annual general meeting held at the Park Hotel, Cardiff, on Wednesday, July 13th, 1927, the following members of the Committee retired under Rule 5:—Mr. J. Pearson Griffiths, F.S.A.A. (Cardiff), Mr. Norman E. Lamb, F.S.A.A. (Newport), Mr. S. E. Clutterbuck, J.P., F.S.A.A. (Cardiff), and after ballot were duly re-elected.

The remaining vacancy on the Committee was filled by the election—after a ballot—of Mr. P. A. Hayes, F.S.A.A. (Cardiff).

The following members, having been duly nominated by their respective student sections, were elected as student representatives on the Committee:—Cardiff: Mr. O. I. Thomas, A.S.A.A.; Newport: Mr. C. T. Stephens, A.S.A.A.

LECTURES.

The following is a combined programme of the lectures arranged by the District Society and Students' Sections during the session:—

1927.		
Oct.	14th.	Mock Income Tax Appeal Meeting; at Cardiff.
Oct.	28th.	"Examination Hints," by Mr. J. D. R. Jones, F.S.A.A.; at Newport.
Nov.	17th.	"Debentures," by Mr. J. T. Phoenix, Solicitor; at Cardiff.
Nov.	23rd.	"Bankruptcy," by Mr. C. T. Stephens, A.S.A.A.; at Newport.
Dec.	1st.	"Executorship Accounts," by Mr. R. C. L. Thomas, F.S.A.A.; at Cardiff.
Dec.	8th.	"Agency," by Mr. O. Temple Morris, Barrister-at-Law; at Cardiff.
Dec.	16th.	Debate. Subject: "Is the Present Tendency towards Amalgamations of best Interest to the Community?"; at Newport.
1928.		
Jan.	12th.	"Points of Procedure in Accountancy and Legal Matters"; at Cardiff.
Jan.	20th.	"Some Practical Points of Income Tax," by Mr. F. J. Notley, A.S.A.A.; at Newport.
Jan.	26th.	"The Deflation of the French Franc in its relation to the South Wales Coal Trade," by Mr. R. T. Evans, M.A. (Cardiff University); at Cardiff.
Feb.	9th.	"Cost Accounts—How to Apportion Nominal Charges," by Mr. W. A, Stewart Jones F.R.Econ.S.; at Cardiff.
Feb.	24th.	"Finance Acts 1926 and 1927," by Mr. Raymond Needham, Barrister-at-Law; at Newport.
Mar.	8th.	"Verification and Valuation of Assets," by Mr. W. I. Rodda, A.S.A.A.; at Cardiff.
Mar.	21st.	"Company Law Amendment," by Mr. H. W. Jordan (Joint Lecture with the Chartered Institute of Secretaries); at Cardiff.
Mar.	30th.	"Rights and Duties of Liquidators, Trustees and Receivers," by Mr. C. T. Stephens, A.S.A.A.; at Newport.
April	19th.	Annual Dinner; at Cardiff.

The high standard which has always been set at these lectures was well maintained, the lectures which were given by our own members being particularly interesting and well attended.

Of the lectures given by outside Lecturers, the outstanding success was probably that of the lecture given by Mr. Raymond Needham at Newport, on "The Finance Acts 1926 and 1927."

Joint meetings with the Chartered Institute of Secretaries were again held, and were greatly appreciated.

The attendance at all lectures showed a marked improvement on previous years, and the thanks of the District Society are due to those gentlemen who so kindly contributed to the syllabus.

EXAMINATIONS.

The District Society were again fortunate in having the use of the Lesser Hall at the City Hall for the examinations, and the facilities provided were greatly appreciated by the candidates. The thanks of the District Society have been conveyed to the Cardiff City Corporation for having placed the hall at their disposal.

Various members of the Committee of the District Society acted as presiding officers, and 58 candidates attended at the November 1927 examinations, and 61 at the May 1928 examinations.

The results of the latter examinations are not yet available, but it is gratifying to note the successes obtained by local candidates in November, 1927. These included fifth and sixth places in the Intermediate examination, which were obtained by Mr. D. F. Williams and Mr. H. F. Hallam respectively.

ANNUAL DINNER OF THE DISTRICT SOCIETY.

The annual dinner was held at the Whitehall Rooms, Park Hotel, Cardiff, on Thursday, April 19th, 1928, when a distinguished company, numbering 201, sat down to dinner.

SPRING GOLF MEETING.

The fourth annual golf meeting of the District Society has been arranged, and will be held at Porthcawl, by kind permission of the Royal Porthcawl Golf Club, on Thursday, June 21st, 1928. The advantage to members by reason of the social gatherings cannot be overlooked, and it is hoped that all golfing members will make a point of supporting the function.

AUTUMNAL CONFERENCE OF PARENT SOCIETY.

The Autumnal Conference was held at Manchester on September 28th, 29th, 30th, and October 1st, and the South Wales and Monmouthshire District Society was represented by the President, Vice-President, Hon. Secretary, and a number of other members. The whole function was a huge success, and has further added to the high esteem in which an Incorporated Accountant is held in the various provincial centres.

DISTRICT SOCIETY'S LIBRARIES.

The Hon. Librarians at Cardiff and Newport continue to discharge their duties with the greatest enthusiasm, and thanks to their efforts the libraries, which are greatly used by the students, are kept up to a high standard of efficiency.

Changes and Removals.

Mr. N. Broadbent, Incorporated Accountant, has removed to 2, Boot Street, Burnley.

Mr. Sydney Lawrence, A.C.A., Incorporated Accountant, announces that he is now in practice at National Provincial Chambers, Walsall, and Waterloo House, 20, Waterloo Street, Birmingham, having been taken into partnership by Messrs. Herbert Pepper & Rudland, Chartered Accountants.

Mr. John Lund, Incorporated Accountant, has admitted into partnership Mr. J. W. Grayston, M.A., M.C., Incorporated Accountant. The practice will be carried on under the style of John Lund & Co. at City Chambers, 2, Darley Street, Bradford.

Messrs. Geo. A. Marriott, Rogerson & Co., Incorporated Accountants, announce that they have removed to 15, Mosley Street, Piccadilly, Manchester.

Mr. J. H. G. Peterken, Incorporated Accountant, is now in practice at 28, Martin Lane, Cannon Street, London, E.C.

Mr. F. S. Rowland, Incorporated Accountant, announces that he is now in practice in his own name at 90, Pilgrim Street, Newcastle-on-Tyne, the former partnership with Mr. W. H. Smith, Chartered Accountant, having been dissolved.

Mr. R. H. Seeger, Incorporated Accountant, has removed from 8, Manningham Lane to Devonshire House, 32, North Parade, Bradford.

Messrs. Smith & Hayward, Incorporated Accountants, announce that Mr. Leonard B. Smith, Incorporated Accountant, and Mr. Norman L. Smith, Incorporated Accountant, have been admitted into partnership. The practice will be continued at London and Yorkshire Bank Chambers, Tyrrel Street, Bradford, under the same style as heretofore.

INCORPORATED ACCOUNTANTS' GOLFING SOCIETY.

The Spring Meeting of the Incorporated Accountants' Golfing Society was held at Purley Downs Golf Club on May 2nd. The Society's Challenge Cup and the First Prize presented by the Society was won by Mr. P. F. Keens, F.S.A.A., with a score of 90−18=72. The Second Prize, presented by Mr. A. A. Garrett, was won by Mr. B. L. Clarke-Lens, F.S.A.A., with a score of 88−14=74. The Third Place was secured by Mr. W. A. Rayner, F.S.A.A., whose score was 101−24=77. Bogie was 77. The meeting was well attended, and took place in fine weather.

Bankruptcy.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. W. H. GRAINGER,
INCORPORATED ACCOUNTANT
(*Chief Accountant, Prudential Assurance Company, Limited*).

The chair was occupied by Mr. WM. STRACHAN, Incorporated Accountant.

Mr. GRAINGER said: It has been my almost invariable experience to find that this subject proves to be one of the most difficult—shall I say barbed-wire entanglements—that students have to negotiate before they come face to face with their natural enemy the examiner, and I attribute this largely to the method adopted by students of merely attempting to commit to memory long strings of details, without endeavouring to grasp the principles involved, and looking upon the whole business in a purely impersonal manner.

Now I suggest that if you have any gift of imagination, bankruptcy would assume quite a different complexion if you endeavoured to imagine, for the time being, that *you* were first the bankrupt himself, then a creditor, and, lastly, the trustee, and it will be my endeavour this evening to treat the subject from those three standpoints.

But first let us take a bird's eye view of the proceedings generally before examining them in detail.

Bankruptcy may be defined as a judicial declaration that a debtor is insolvent—that is, unable to pay his debts as they arise. The chief aims of bankruptcy law are to (1) distribute the debtor's property in the most expeditious, equal, and economical manner, and (2) release the debtor under certain conditions from all future liability as to his past debts, after making a full disclosure and surrender of his property, providing he has not been guilty of fraud or misconduct. Bankruptcy applies to any person who is subject to English laws, whether a trader or not, providing he owes debts amounting to £50, and since they were incurred has committed an act of bankruptcy within three months of the presentation of a petition. When such an act was committed the debtor must have been (1) personally present in England, or (2) ordinarily resident or having a place of residence in England, or (3) carrying on business in England personally or by agent or manager, or (4) was a member of a firm or partnership which carried on business in England. An act of bankruptcy means any one of eight certain acts of a debtor, declared by law to be evidence of insolvency, on which is founded the petition for adjudication of bankruptcy.

Now let us see who can be made a bankrupt. In particular—

(A) *Infants.*—Speaking generally, an infant cannot be made a bankrupt, even if he has fraudulently represented that he is of full age, but after attaining his majority he may be made bankrupt for debts incurred while an infant for "necessaries" or for torts committed by him during infancy. If an infant is a member of a partnership firm which is made bankrupt the infant will be excluded from the proceedings, though the partnership assets are available for the partnership creditors.

(B) A *lunatic* may be made bankrupt if he has contracted a debt and committed the act of bankruptcy whilst sane, but generally not without the consent of the Court of Lunacy. Where it is beneficial to the lunatic, the Court may allow the lunatic's committee or *curator bonis* to file a declaration of inability to pay his debts, or consent to an adjudication.

(C) A *dead man* cannot himself, of course, be made a bankrupt, but his estate may be administered in bankruptcy for the benefit of his creditors.

(D) A *convict*—that is any person against whom judgment of death or of penal servitude has been pronounced—may be adjudicated a bankrupt even after conviction.

(E) A *married woman* cannot be made a bankrupt unless she is a trader, but if she carries on a trade or business, whether with her husband or on her own account, then as if she were a *feme sole*, she is liable to the bankruptcy laws. Should a final judgment be obtained against a married woman, even though such judgment be only against her separate property and not against her personally, that judgment is available for bankruptcy proceedings by the issue of the bankruptcy notice, and if this is not complied with, a bankruptcy petition may be presented against her. Where it happens that her separate property is subject to a "restraint on anticipation," the Court, on the application of the trustee in bankruptcy, may order that the whole or some part of the income be paid to the trustee for the benefit of the creditors, the Court first considering the woman's means of subsistence available for herself and her children. Where a married woman has ceased to trade, she remains liable to bankruptcy during such period as her trade debts or liabilities for torts are undischarged.

(F) A *foreigner* can be made a bankrupt provided that he is now, or has within a year before the presentation of the petition, been living or carrying on business in England; also if he is a member of a firm which carries on business in England. "Carrying on business" refers to whether he transacts business personally or by means of an agent, manager or partner.

STATEMENT OF AFFAIRS.

A statement of affairs is a statement in official form, supplemented by prescribed schedules A to K, which, after a receiving order in bankruptcy is made against a debtor, is required to be verified by an affidavit in order that it may be made use of at the hearing of the debtor's case. The debtor is required to prepare such statement, but if he is unable to do so he may apply to the Official Receiver for the assistance of an accountant at the expense of the estate. The contents of the statement of affairs chiefly comprise: (1) a list of unsecured creditors, giving their names, addresses, and occupations; (2) a list of fully secured creditors and partly secured creditors, with particulars of their securities, and the value of them; (3) a list of the debtor's liabilities; and (4) list of the debtor's assets. The dates when securities were given by the debtor should be stated, and any further information as may be prescribed or as the Official Receiver may require.

The statement of affairs is lodged by the debtor with the Official Receiver in Bankruptcy. The time allowed for its preparation and lodgment is three days only after the receiving order if it were made on the debtor's own petition, or within seven days if made on a creditor's petition. If the time allowed is insufficient for any special reason the debtor must apply to the Court for an extension. Inspection of the statement of affairs may be made by any person who states himself, in writing, to be a creditor of the bankrupt, and copies may be taken or extracts therefrom at a charge of 4d. per folio.

PUBLIC EXAMINATION.

The public examination in bankruptcy is an examination of the debtor against whom a receiving order is made regarding his conduct, dealings and property. It is held as soon as possible after the statement of affairs is lodged with

the Official Receiver, and from time to time the Court may adjourn the proceedings, but it is not declared at an end until the first meeting of creditors has been held. It is conducted by the Official Receiver, who questions the debtor in the presence of the Registrar (who may also ask questions), but his chief duty is to take down notes of the proceedings, which he reads over to the debtor, who then signs them. The Official Receiver, on obtaining leave of the Board of Trade, can, if he thinks it necessary, employ a lawyer to conduct the public examination for him. Any creditor who has proved his debt may also put questions to the debtor as to his affairs. The debtor is examined on oath and is bound to answer all questions put to him. The public examination is dispensed with in certain cases. Where joint debtors propose a scheme of composition the Court in certain cases may dispense with the public examination of one of them if he is prevented from attending by illness, or is absent abroad; also where the debtor is a lunatic, or is otherwise mentally or physically disabled, the Court may either dispense with the examination or make other arrangements respecting it.

ADJUDICATION.

The adjudication is made if the creditors at their first meeting or any adjournment of it decide by ordinary resolution that the debtor be adjudged a bankrupt, and an adjudication order is consequently made. It also arises where the creditors pass no resolution, or if the creditors do not meet, or if a composition is not accepted or approved within fourteen days after the examination is concluded. The adjudication order being made, the debtor's property thereupon becomes divisible among his creditors and vests in a trustee.

The adjudication may be annulled (1) if in the Court's opinion the debtor ought not to have been adjudicated bankrupt; (2) if the debts are paid in full; (3) if a composition made after adjudication is accepted by the creditors and approved by the Court. Notice of an order annulling adjudication must be "gazetted" and published in a local paper.

SCHEME OF COMPOSITION.

A scheme of composition may be put forward by a debtor against whom a receiving order has been made with a view to avoiding bankruptcy. It is submitted to the Official Receiver within four days of lodging the statement of affairs, or such further time as the Court allows.

A scheme of arrangement or composition is binding on the debtor's creditors under the following circumstances:—

(1) The scheme must be put before the creditors in general meeting, and each creditor must have had a copy of it sent him by the Official Receiver beforehand with his report thereon.

(2) It must be passed by special resolution, *i.e.*, by a majority in number and amounting to three-fourths in value of all creditors who have proved.

(3) When the scheme is accepted it must be confirmed by the Court.

The Court must be satisfied before approving a scheme of composition that it has been properly proposed and accepted; that it is reasonable and for the benefit of the creditors; that provision is made for costs and preferential creditors in priority to all other debts; and, finally, that no facts are proved (such as fraudulently altering his books or concealing his property, &c.) which would compel the Court to refuse a bankrupt's discharge, for in such a case the Court must refuse to sanction any scheme. Where the debtor is guilty of other offences which would oblige the Court to suspend a discharge or grant it only subject to conditions, the Court may approve the scheme, providing the debtor gives reasonable security for the payment of at least 5s. in the £ to all unsecured creditors whose debts are provable in the bankruptcy. The Registrar sends a copy of the order approving the scheme to the Board of Trade to be "gazetted."

The effect of a scheme of composition, when approved, is that it rescinds the receiving order and is binding on all creditors whose debts are provable in bankruptcy, except (1) debts due to the Crown for a breach of the Revenue or on a recognisance: (2) debts incurred by fraud or fraudulent breach of trust; and (3) certain damages for personal tort, such as damages recovered in a divorce suit. These creditors are only bound by any scheme in so far as they assent to it, even though their debts are provable in the bankruptcy.

The proper books to be kept are such as are required to exhibit or explain the transactions entered into and the financial position of the business, and must include a book for records of receipts and payments of cash, and, where necessary, accounts of all goods sold and purchased, and statements of annual stocktaking.

If a bankrupt has been guilty of gambling where he is engaged in any trade or business, he is guilty of a misdemeanour, and is liable to penalties if any of the debts incurred in his trade or business are outstanding under the following circumstances:—

(1) If within two years of the presentation of the petition he has materially contributed to or increased the extent of his insolvency by gambling or rash and hazardous speculation unconnected with his trade or business; (2) if between the presentation of the petition and the receiving order he has lost any part of his estate by such gambling or speculations; and (3) if he fails to satisfactorily account to the Official Receiver, after his request for the loss of any substantial part of the estate within a period of one year next preceding the presentation of the petition, or between the presentation and the receiving order.

In estimating whether such speculations were rash and hazardous, the financial position of the debtor at the time they were entered into must be taken into account. No prosecution may be instituted except by order of the Court.

BANKER.

If a banker finds that one of his customers having an account with him is an undischarged bankrupt, unless he is satisfied that the account is on behalf of some other person, it is his duty to inform the trustee in bankruptcy or the Board of Trade of the existence of the account, and thereafter not to make any payments out of such account except by order of the Court, or in accordance with instruction from the trustee, unless by the expiration of one month from the date of his giving the information no instructions have been received by him.

PART II.

The Official Receiver and Trustee.

An Official Receiver is an officer of, and is appointed by, the Board of Trade, and acts under its direction in bankruptcy matters. On the making of a receiving order the Official Receiver, by virtue of his office, becomes receiver of the property of the debtor, and upon the making of an adjudication order he acts as trustee until one is appointed. The number of Official Receivers and districts assigned to them are fixed by the Board of Trade and Treasury. The Official Receiver is also an officer of the Court to which he is attached.

The Official Receiver's duties relative to the debtor's *conduct* are: (1) To investigate the conduct of the debtor and report to

the Court, stating whether there is reason to believe that the debtor has been guilty of a misdemeanour under the Debtors Act, 1869, or the Bankruptcy Act, 1883, committing of any act which would cause the Court to refuse, suspend, or qualify an order for his discharge; (2) make any such reports concerning the debtor's conduct, and attend and take part in the public examination of the debtor as the Board of Trade directs; (3) give any assistance the Board of Trade may require concerning the prosecution of any fraudulent debtor; (4) put the trustee in possession of the debtor's estate subject to his lien for costs and expenses; and (5) convey to the trustee all information he has respecting the bankrupt and his estate.

The Official Receiver's duties relative to the debtor's *estate* are: (1) To act as interim receiver before a receiving order is made where the Court directs, and, pending the appointment of a trustee, also as manager where a special manager is not appointed; (2) to summon, issue forms of proxy for, and preside at the first meeting of creditors and report to the creditors any proposal made by the debtor respecting the mode of liquidating his affairs; (3) to do the necessary advertising of the receiving order, creditors' first meeting, debtor's public examination, and send notice of the latter to the local newspaper; (4) to keep record book, cash book, account to the Board of Trade, pay over all money, and deal with securities as the Board of Trade directs; and (5) to make at his discretion an allowance to the debtor for subsistence.

SPECIAL MANAGER.

A special manager, who may be the debtor himself, may be appointed by the Official Receiver acting as such or as trustee, or as interim receiver before the receiving order is made, where an application is made by a creditor or creditors. The Official Receiver must first be satisfied that the nature of the debtor's estate or business or the interests of the creditors generally require such an appointment. When a special manager is not appointed the Official Receiver acts as manager, and where he refuses to appoint a special manager the Court will not interfere with his discretion.

The *duties* of the special manager are that he is required to carry on the business of the debtor, must give security as required by the Board of Trade, must account fully to the Official Receiver, his accounts being verified by affidavit, and when approved are added to those of the Official Receiver.

The *rights* of the special manager are to receive remuneration for his services such as is fixed by the creditors in general meeting or by the Board of Trade. He may be authorised by the Official Receiver to raise any necessary money for the carrying on of the business.

THE TRUSTEE.

The appointment of the trustee in bankruptcy is made by the creditors by ordinary resolution where the debtor is adjudged a bankrupt. He must be some fit person, whether creditor or not, but until some person is appointed as trustee the Official Receiver acts as such. In small bankruptcies—that is where the value of the estate does not exceed £300—the Official Receiver always acts as trustee. The appointment may also be made by the committee of inspection when the creditors so resolve to leave the matter in their hands, and, further, by the Board of Trade if a trustee is not appointed within four weeks of adjudication, or if at the end of that time negotiations for a composition or scheme are pending, then within seven days of the close of negotiations by refusal of the creditors to accept or the Court to approve it. After the Official Receiver reports the matter to the Board of Trade it appoints a fit person and certifies such appointment.

The trustee's certificate of appointment is given by the Board of Trade and sent to the Registrar. It is conclusive evidence of the appointment of a trustee, and is equivalent to a conveyance or assignment of the property of the debtor, and may be registered, enrolled, and recorded accordingly. The bankrupt's property vests in the trustee for realisation and distribution among the creditors, and on obtaining the certificate aforementioned he can proceed to deal with the estate.

The trustee's *security* must be given in order to make his appointment valid, and takes the form of bonds with sureties or of a guarantee, and is required so as to insure the due performance of his duties of administration. The Board of Trade fix the nature and amount of the security, but after one year from the date of his appointment the trustee should apply for a reduction of his security, having regard to the remaining value of the estate. The trustee's *remuneration* is fixed by ordinary resolution either by the creditors or committee of inspection, and takes the form of a commission or percentage, one part being payable on the amount realised by the trustee after deducting any sums paid to secured creditors out of the proceeds of their securities, and the other part on the amount distributed as dividend to creditors. If one-fourth in number or value of the creditors dissent from the resolution, or if the bankrupt satisfies the Board of Trade that the remuneration is unnecessarily large, the Board of Trade fix the amount. A trustee, under no circumstances whatever, may accept or arrange to accept any gift beyond his remuneration, nor must he surrender any part of his remuneration to the bankrupt or any solicitor or other person. The trustee's duties are, briefly, to take possession of and realise the bankrupt's estate, pay out of the proceeds the amounts due to creditors or whatever proportion of them he can, call meetings of creditors to ascertain their wishes, giving them three days' notice of such meetings, and to send a copy of the notice and all information respecting the bankrupt's affairs required to the Official Receiver. Of the many powers possessed by the trustee, permission for some must first be obtained from the committee of inspection or the Board of Trade.

PROOFS.

The trustee's duties with reference to the admission and rejection of proofs of debts are: To examine all proofs to see if the debts are provable in the bankruptcy, and then, if not already dealt with by the Official Receiver, admit or reject them within 28 days of receipt. Proofs which are rejected, written notice thereof must be notified to the creditors affected, who may, upon receiving such notice, lodge an appeal to the Court within 21 days. Should the proof be sent in after notice of intention to declare a dividend has been given, it must be either admitted or rejected within fourteen days from the final day named for receiving proofs. In this case the time for an appeal is limited to seven days. On receiving a notice of appeal, the rejected proofs must, within three days, be filed with the Registrar of the Court, together with a memorandum thereon of the disallowance of them.

On the first day of every month the trustee must file with the Registrar a certified list of all proofs received by him during the preceding month, distinguishing between those admitted, those rejected, and such as stand over for further consideration; also, in the case of proofs admitted or rejected, these must be filed with the Registrar.

PROPERTY.

The exceptions and qualifications to the property which passes to a trustee in bankruptcy are as follows:—

(1) Wages earned after bankruptcy to the extent of what is reasonably necessary for the maintenance of the bankrupt

and his family; (2) money received by the debtor as income "until he shall have become bankrupt," in which case his interest therein ceases, but cannot be taken by the trustee; (3) rights of action to recover damages for sufferings for personal injuries sustained by the bankrupt; (4) where the bankrupt is an officer of the army or navy, or otherwise engaged in the civil service, he may be required to pay to the trustee so much of his pay or salary for present services rendered as the Court, on application of the trustee, and with the consent of the chief officer of the department, may direct; (5) where the bankrupt is in receipt of a salary or income of a fixed amount, payable periodically, or is entitled to any half-pay or pension, or to any compensation granted by the Treasury, the Court, on the trustee's own application, may order payment of all or part of such income to the trustee in bankruptcy; and (6) neither the benefits under the Old Age Pensions Act, 1908, nor the National Insurance Act, 1911, pass to the trustee.

Relation Back.

The doctrine of "relation back" refers to the right of the trustee in bankruptcy to claim all the property of the debtor as it existed at the date when the available act of bankruptcy on which the petition is grounded was committed by the debtor, or if more than one such act, then at the date of the first act committed within three months of the presentation of the petition.

An example of "relation back": X was made bankrupt because he failed to comply with a judgment summons on August 1st last, the petition in bankruptcy being presented against him on August 14th last. The trustee, in dealing with the property, discovers and proves that on July 1st last X assigned his property by deed to a trustee for the benefit of his creditors, which is an available act of bankruptcy. The result is that the trustee's right to claim X's property "relates back" to July 1st last, this being the date of the first act of bankruptcy within three months before August 14th last, when the petition was presented. The assignment by deed is consequently cancelled.

Voluntary Settlements.

The effect of bankruptcy on voluntary and other settlements.

Any settlement of property (with the exceptions which I will state) where the settlor becomes bankrupt within two years after the date of the settlement, becomes void as against the trustee in bankruptcy. Should the settlor become bankrupt at any subsequent time within ten years after the date of the settlement, then such settlement is still void as against the trustee unless the parties claiming under it prove (1) that when the settlement was made the settlor was able to pay his debts without the aid of the property comprised in the settlement, and (2) that the interest of the settlor in the property settled had passed to the trustee of the settlement or their beneficiaries on the execution thereof. The exceptions referred to just now are settlements made (1) for and in consideration of marriage; (2) in favour of a purchaser who acts in good faith and for valuable consideration; and (3) on or for the wife or children of the settlor of property accrued to the settlor since marriage, in right of his wife.

A settlement is avoided from the time of the first available act of bankruptcy and not from the date of the settlement, but should it happen that the subject matter of a voluntary settlement has been dealt with *bona fide* and for valuable consideration before the trustee claims it, he cannot recover either the property or the money received.

Marriage Settlements.

Marriage settlements may be avoided as against the trustee in bankruptcy when they comprise any covenant made by either husband or wife as settlor in consideration of his or her marriage, for either the future payment of money for the benefit of the settlor's wife or husband or children, or of any property in which at marriage the settlor has no estate or interest, and not being money or property in right of the settlor's wife or husband. The foregoing applies if the settlor is adjudged bankrupt, and the covenant or contract has not been executed at the date of the commencement of bankruptcy, except so far as it enables the persons entitled under the covenant to claim for dividends in the settlor's bankruptcy, but any such claim is postponed till all creditors for valuable consideration have been satisfied.

Marriage settlements hold good as against the trustee in bankruptcy if the trustees of the settlement can prove that (1) the money or property was paid or transferred to them by the settlor at least two years before the bankruptcy, or (2) that the bankrupt was then solvent without the aid of the money or property in question, or (3) that the covenant or contract related to some particular property which the bankrupt had expected would eventually come to him, and that in this case the money or property has really been transferred.

Order and Disposition Clause.

The "order and disposition clause" in bankruptcy is applicable only to traders and business men, and represent circumstances under which the trustee in bankruptcy is entitled to claim the property or goods of persons, other than the bankrupt, for the benefit of the creditors of the bankrupt. These circumstances are: (1) The goods must be in the bankrupt's sole possession, order, or disposition, and of such a nature as is ordinarily used in his trade or business when bankruptcy commenced; (2) the bankrupt must be the reputed owner of such goods; and (3) the goods must be in his possession with the consent of the true owner of them. With reference to (1) this does not include partnership goods in the possession of a partner, nor goods held by a husband under an implied trust for his wife, nor goods in the hands of a sheriff under an execution, nor goods in the possession of a receiver appointed in an action.

"Reputed ownership" means that the bankrupt is in possession of goods in such a way that people may have been induced to give him credit under the belief that the goods in his possession were his own property. In order to satisfy the doctrine of reputed ownership the circumstances (1), (2) and (3) referred to just now must take place. The goods must be in such a situation as to convey to the minds of those who know their situation the "reputation of ownership," such reputation arising by the legitimate exercise of reason and judgment on the facts capable of being generally known by those who choose to make inquiry on the subject. The Court judges from the situation of the goods what inference might be legitimately drawn as to their ownership.

The doctrine of reputed ownership can always be avoided by showing that there is a well-known custom of trade by which persons in the position of the bankrupt are known not to be necessarily the owners of the goods in their possession, and, therefore, that credit will not be given to them on this ground. In order that the true owner may retake his goods from the bankrupt's possession and so escape from the operation of the "reputed ownership" clause, he must show that the custom he upholds is well established, and the onus of proof lies with him. If he does not succeed, the trustee in bankruptcy takes them. A custom not known to traders

generally, but only to those who deal in a particular market, is not sufficient.

Examples of well established customs are as follows:—

A general warehouseman, regarding whom nobody would be justified in saying that goods were in his reputed ownership because they were in his warehouses, for it is well known that he stores the goods of other people besides his own; hotel-keepers who use hired furniture; jewellers and watchmakers having rings, jewellery and watches in their possession for repairs; hiring of pianos on the three years system; and the custom extends to boarding house keepers, farmers, hop merchants, printers as regards printing machinery, and many others.

AFTER-ACQUIRED PROPERTY.

After-acquired property is that property acquired by the bankrupt after the adjudication but before his discharge. Such property passes to the trustee, but any transactions by the bankrupt with any person dealing with him *bonâ fide* and for value, whether as regards realty or personalty, is valid, as against the trustee, providing they are completed before the trustee intervenes and claims the property. This is so whether the party dealing with the bankrupt knew of the bankruptcy or not.

Where a second or subsequent receiving order is made against a bankrupt, any property acquired by him since he was last adjudged bankrupt vests in the trustee in the subsequent bankruptcy. This applies, however, only to that after-acquired property which at the date of the presentation of the subsequent petition had not been distributed amongst the creditors in the last preceding bankruptcy. Provision is also made that any unsatisfied balance of the debts provable under the last preceding bankruptcy may be proved in the subsequent bankruptcy by the trustee in the preceding bankruptcy. When the trustee in any bankruptcy receives notice of a subsequent petition against the bankrupt, it is his duty to hold any property in his possession belonging to the bankrupt, and which he has acquired since his adjudication, until the subsequent petition is disposed of. Should an adjudication order be made on such petition the trustee must transfer all such property or proceeds therefrom to the trustee in the subsequent bankruptcy, but is allowed first to deduct his own costs and expenses.

DISCLAIMER.

Right of disclaimer is a power given under certain conditions to a trustee in bankruptcy to disown or ignore onerous property of the bankrupt which in his opinion is not beneficial to the realisation of the estate or in the best interests of creditors.

Onerous property means all property belonging to a bankrupt to which some liability is attached or upon which some financial or other burden rests, viz:

(1) Land of any tenure burdened with onerous covenants; (2) shares or stock in companies; (3) unprofitable contracts; and (4) any other property which is either unsaleable or not readily saleable by reason of its binding its possessor to the performance of some onerous act or payment of a sum of money. In connection with onerous property the Board of Trade will require a certificate from the trustee showing how he has dealt with it, and this will be specially considered when the trustee applies for his release from office.

Disclaimer must be exercised by the trustee in writing, signed by him, and within twelve months of his appointment as trustee; but if he was not aware of the existence of the property within one month of his appointment then he must disclaim within twelve months of the date when he first had notice of it, or within such extended period as the Court may allow. Where an Official Receiver takes over an estate subsequent to a trustee he can exercise the right for a further period of twelve months. The right of disclaimer applies even though the trustee has taken possession of the property or exercised any act of ownership in relation to it.

The effect of a disclaimer is to terminate the interests of the bankrupt in the property disclaimed as from the date of disclaimer; and, further, it discharges the trustee from any personal liability in respect of the property as from the time it vested in him, but the rights and liabilities of other persons are not affected.

The trustee is not entitled to disclaim a lease without the leave of the Court except in accordance with the following rules:—

(1) Notice of the intention to disclaim must always be given by the trustee except when he cannot be forced to obtain the leave of the Court; (2) where property has not been sub-let, mortgaged, or assigned, and either the rent reserved and Schedule A property tax assessment are less than twenty pounds per annum, or the estate is administered as a small bankruptcy, then the trustee cannot be required to get leave of the Court. In other cases the lessor may require the trustee to get leave of the Court, provided he so acts within seven days of the receipt of the above notice; (3) where property has been sub-let, mortgaged, or assigned, the trustee must give notice to all parties interested, and any of them may, within fourteen days of the receipt of such notice, call upon him to obtain the leave of the Court. It may be added that in no case need the trustee get leave of the Court except when he is called upon to do so. Where the lessor of a disclaimed lease cannot re-let the land at so high a rental he may prove for the amount of the rent reserved by the lease, minus what he can get from another tenant.

The right of disclaimer is lost by the trustee when any person interested in the property applies to him in writing requiring him to decide whether he will disclaim or not, and for a period of twenty-eight days or any extended time the trustee does not give notice of his decision. In the case of a contract the trustee is deemed to have adopted it and the Court may order rescission of the contract on terms.

The right of a person injured by disclaimer is that he may prove in the bankruptcy as a creditor in respect of such injury.

SET-OFF.

The right of set-off arises where there have been mutual debts, mutual credits, or mutual dealings between a bankrupt and any other person, in which case an account is taken of the sum due by one party, and this is set-off against that due by the other, the balance only being the amount claimed by either party, but no right of set-off is allowed against the property of a debtor in bankruptcy proceedings where the creditor had notice of an available act of bankruptcy committed by the debtor when the credit was given to him. The time from which a set-off is reckoned is usually the date of the receiving order, but may be earlier if the party who dealt with the bankrupt had notice of an available act of bankruptcy. Where the bankrupt is a contributory of a company being wound up, the trustee in bankruptcy can set-off against calls any debt due from such company to the bankrupt. This right of set-off does not, however, apply to a contributory who is not a bankrupt; further it does not exist unless the claims on each side are such as result in pecuniary liabilities, so that a

debt cannot be set-off against a claim for goods wrongfully detained as the owner is entitled to their return in specie.

(1) Mutual debts arise when two persons owe each other debts which are presently payable, *e.g.*, A purchases goods from B value £100, and has already supplied B with goods of a different kind to the value of £40, both amounts being presently payable.

(2) Mutual credits would be applicable where a debt is immediately due from one party and only due at a future date from the other, so that in the example just given, if it is supposed that A's £100 is due at once, and B's £40 is not due until three months hence, these should be termed mutual credits.

(3) Mutual dealings would meet a case where A who owes £100 to B has a claim for unliquidated damages against B for breach of contract.

ACCOUNTS.

The statements of account the trustee in bankruptcy is required to furnish are divided into two sections, namely (1) those which he sends to the Board of Trade, and (2) those to the creditors of the bankrupt.

To the Board of Trade every trustee must send from time to time as may be prescribed, but in any case not less than once each year of the bankruptcy, a statement of the proceedings to the date of the statement, which must itself be in the prescribed form. The board must cause such statements to be examined, and if the trustee is found guilty of misfeasance, neglect, or omission he may be required to make good himself any loss the estate may have suffered.

To the creditors, upon request from one-sixth of them, the trustee is required to furnish and transmit to them a statement of the account of the proceedings, made up to the date of the notice of request given by the creditors, provided those who make the request deposit with the trustee (or the Official Receiver, as the case may be) a sum sufficient to pay the costs. This sum, however, will be repaid out of the estate if the creditors or Court so direct. The costs here are 3d. per folio where the number of creditors does not exceed ten, and 1s. per folio if it exceeds ten.

AUDIT.

The trustee's accounts are audited by the committee of inspection and the Board of Trade respectively as follows:—The cash book must be audited at least once every three months by the committee of inspection, the date of audit must be certified thereon, and the committee is to receive the trustee's books, accounts, and vouchers at least once in the same stated period. The trading account, verified by affidavit, must also be submitted to the committee at least once every month to be examined and certified. The committee may, however, appoint any of its members for that purpose. To the Board of Trade every trustee must send at the expiration of six months from the receiving order, and every six months thereafter till his release, duplicate copies of the cash book and vouchers for the period, and copies of the certificates of audit by the committee of inspection. A report may also be required in such form as the Board of Trade may direct.

The trustee's accounts are open to the inspection of any creditor, the bankrupt, or other person interested, and may be so inspected either at the Board of Trade or the Court, a copy being filed at each place when audited.

The bankruptcy estates account kept at the Bank of England by the Board of Trade is the one into which the trustee must pay all the money received by him on behalf of the bankrupt's property or estate, and must do so when and in the manner directed by the Board of Trade, the Board issuing to the trustee a certificate as a receipt for such payments. Amounts of £200 must be paid in forthwith, and other sums not later than one week after the receipt of them. All current bills of exchange should be remitted to the bankruptcy estate account. Where the committee of inspection satisfies the Board of Trade that for the purpose of carrying on the business or obtaining advances, or for any other reason, it is for the advantage of the creditors that an account should be opened with a local bank other than the Bank of England, then the Board of Trade will authorise the trustee to keep an account at such bank as the committee may select during such time and on such terms as it may think fit.

Where the trustee retains for more than ten days a sum exceeding £50, or any other sum the Board of Trade may authorise him to retain, unless he satisfies the Board of Trade as to the retention he must pay interest on the amount retained in excess at the rate of 20 per cent. per annum, and have no claim to remuneration. Further, he may be removed from office by the Board, and still remain liable to pay any expenses caused by his default. Where interest is so payable it goes to the estate.

DIVIDENDS.

The duties of the trustee in the declaration and distribution of dividends are of a very important nature. A summary of them is as follows: the trustee declares and distributes dividends amongst the creditors who have proved their debts.

The first dividend (if any) must be declared and distributed within four months after the first meeting of creditors, unless the trustee can satisfy the committee of inspection that there is a sufficient reason for postponing it. In small bankruptcies this period is extended to six months. Subsequent dividends are declared and distributed at intervals of not more than six months, unless there is a sufficient reason to the contrary. Before declaring a dividend the following formalities are necessary: the trustee is required to give notice to the Board of Trade of his intentions to declare a dividend, so that it may be gazetted, and at the same time sends a notice to those creditors mentioned in the bankrupt's statement of affairs who have not yet proved their debts. To these he gives a time which is not less than two weeks from the date of the notice, within which they must send in their claims.

Having settled what proofs he intends to admit, and what to reject, he declares the dividend, sends notice of its amount, when and how payable, to each creditor, together with a statement in the prescribed form giving particulars of the realisation of the estate. If there are any appeals from his decisions as to proofs, the trustee must set aside funds to await the result.

Any creditor who has not proved when a dividend has been paid may prove later, and if his proof is admitted he is entitled to be paid what is due to him out of the moneys in the trustee's possession at the time and before any further dividends are paid, but he is not entitled to disturb dividends previously paid.

PART III.

Creditors.

PROOFS.

A proof is an affidavit verifying a debt. It must be made by a creditor or some person duly authorised by him in order that he may participate in the division of the realised assets of a bankrupt. It supplies the Official Receiver or trustee in

bankruptcy with the necessary information to show that the bankrupt is indebted to the creditor to the amount stated therein.

A proof must contain the amount of the debt owing, date on which it was incurred, particulars of the consideration for the debt, and details of any security held by the creditor. When the amount of the debt exceeds £2 the proof must be stamped with a shilling proof stamp.

Provable debts in bankruptcy include all debts and liabilities, present or future, certain or contingent, to which the debtor is subject at the date of the receiving order, or to which he may become subject before his discharge by reason of any obligation incurred before the date of the receiving order.

Non-provable debts are briefly stated to be :—

(1) Damages for torts, unless they have become liquidated before the receiving order: (2) gaming debts; (3) debts which in the opinion of the Court cannot be estimated; (4) statute-barred debts. In this case if a creditor desires to prove on a debt which is on the face of it statute-barred, the trustee must require him to show that the debt has been revived by a written acknowledgment amounting to an unconditional promise to pay, or by a payment on account: (5) debts incurred with a person who, at the time, had notice of an available act of bankruptcy or the presentation of a petition. In such a case the creditor can neither prove nor can he recover from the debt after his discharge.

PREFERENTIAL CREDITORS.

The priority (or preferential) debts in bankruptcy are :—

(1) Local rates due and payable within the twelve months next preceding the receiving order.

(2) Imperial taxes assessed on the bankrupt to April 5th next before the receiving order, but not exceeding one year.

(3) Wages or salary of any clerk or servant, the maximum amount being £50, and the maximum period four months before the receiving order.

(4) Wages of any labourer or workman, maximum period two months before the receiving order, with a maximum amount of £25.

(5) Such proportion of wages of a labourer in husbandry, where he contracted to be paid in a lump sum at the end of the year, as the Court decides.

(6) Workmen's compensation under the Workmen's Compensation Act, where the liability accrued before the date of the receiving order.

(7) Employer's contribution under the National Health Insurance Act, 1911, for a period not exceeding four months prior to the receiving order.

The foregoing debts rank equally between themselves, and are paid in full unless the bankrupt's property is insufficient to meet them, in which case they abate in equal proportions between themselves.

PRE-PREFERENTIAL CREDITORS.

The special priority (or pre-preferential) debts in bankruptcy are :—

(1) Funds or property of a friendly society registered under the Friendly Societies Acts, which is in the hands of a bankrupt by virtue of his office in the society.

(2) Proper funeral and testamentary expenses incurred by the legal personal representative in respect of a deceased debtor whose property is under an order of administration.

(3) Under the Workmen's Compensation Act, 1897, the workman has a first charge upon any money paid by the insurance company if the employer becomes bankrupt.

(4) Such portion of the premium of an articled clerk will be treated as preferential as the trustee in bankruptcy (subject to an appeal to the Court) may decide.

DEFERRED CREDITORS.

The deferred creditors in bankruptcy, *i.e.*, those which can receive no dividend till all other unsecured creditors are paid in full, are as follows:—

(1) A married man who lends his wife money for the purpose of her trade or business as a sole trader or *vice versa*.

(2) Any person who lends money to a firm and receives a share in the profits instead of interest, or a rate of interest varying with the profit.

(3) A limited partner under the Limited Partnerships Act, 1907.

(4) Beneficiaries under an anti-nuptial agreement to settle after-acquired property if the agreement becomes void against a trustee in bankruptcy.

INTEREST.

Interest on debts can be claimed under the following circumstances :—

(1) Where a debt is provable, interest may be added to the amount of the debt where the debtor has agreed to pay such interest to the creditor.

(2) Where the debt is payable under a written instrument, such as a bill of exchange or promissory note, which is overdue, in which case the rate of interest is 5 per cent.

(3) Where a debt is due, and written notice is given to the debtor by the creditor demanding payment, and stating that interest will be claimed from the date of the demand to the date of payment.

(4) A judgment of the High Court carries interest from the date on which the judgment was delivered.

(5) Where money is paid by a surety, or is due under an award.

The rate of interest in these cases is usually 4 per cent., but if there is an agreement providing for a higher rate the rule is that the creditor can prove in the bankruptcy for the debt and 5 per cent. interest, but for any interest above that rate he must wait until all proved debts are paid in full.

SECURED CREDITORS.

The position of a secured creditor presenting a petition is that he must state in the petition the nature of the security he holds, and also how he intends to deal with it; that is (1) whether he is prepared to surrender it for the benefit of creditors generally, or (2) place an estimate upon its value and petition as an unsecured creditor for the balance, which must not be less than £50, after deducting the value so estimated. Where the debtor states in the petition that he is willing to give up the security, he cannot, in the event of adjudication, prove without first giving it up. The creditor is not bound to put a true value on his security, but if he under estimates it in order to leave a sufficient balance for presenting a petition he is bound by that estimate in the bankruptcy, and cannot afterwards re-estimate unless he can convince the Court that there has been a genuine mistake.

EXECUTION CREDITORS.

The position of an execution creditor in bankruptcy is that he must have completed his execution before the receiving

order is made, and without notice of an available Act of Bankruptcy, in order that his claim may be good as against the trustee.

Execution is completed as follows:—(1) When the amount including costs does not exceed £20 it is completed as soon as the sale is finished, whether the money is handed over or not; (2) when the amount including costs exceeds £20, and the goods are sold or money is paid to avoid sale, then execution is not completed until the end of fourteen clear days after the sale is concluded, during which time the sheriff holds the proceeds of the sale and any other money saved, in case bankruptcy ensues; (3) execution against goods is completed by seizure and sale; against debts by actual receipt of the money; against land by seizure; and against an equitable interest in land by appointment of a receiver.

LANDLORD.

The position of the landlord in bankruptcy proceedings as regards claim for rent is as follows:—The landlord can distrain either before or after the commencement of bankruptcy, and the Court cannot interfere. If he distrains before bankruptcy commences he can recover all rent due, but not rent payable in advance. After the commencement of proceedings and before adjudication, then six months' rent accrued due prior to the date of adjudication may be claimed without the Court's interference, while after adjudication, if goods are still on the debtor's premises, he can distrain for all rent accruing due since the date of adjudication. Where adjudication takes place during a quarter, unless six months' rent has been recovered by restraint since the commencement of the bankruptcy, the rent accrued due during that quarter prior to the adjudication may be recovered. Should the landlord distrain within three months of the receiving order, the proceeds are subject to the claims of preferential creditors. Rent that a landlord cannot recover by distress may still be proved for in the bankruptcy, even if payable in advance. If when rent is due to the sheriff in possession under an execution, the landlord cannot distrain, but he can notify the sheriff of his claim, and then on sale the sheriff must pay the landlord what is due, not exceeding one year's rent, but if such notice is not given to the sheriff before bankruptcy commences, the amount paid must not exceed six months' rent.

PROTECTED TRANSACTIONS.

Protected transactions include all transfers of property made by the bankrupt after committing an available act of bankruptcy, but before a receiving order is made against him, provided that such transactions were completed before the date of the receiving order, and that the other party had no notice of an available act of bankruptcy. Where, however, property is transferred to the bankrupt, even though the party making the transfer had notice of an available act of bankruptcy, the transaction is still protected, provided (1) that it was pursuant to the ordinary course of business; (2) that it was made before the date of the receiving order; and (3) that it was made without notice of the presentation of a petition.

An example would be where a dealer, B, in good faith and for present valuable consideration, entered into a contract with a person, A, without knowledge that A was already a bankrupt. In such a case the fact of the dealer acting *bona fide* and for present value was sufficient to protect the transaction.

The transactions which are *not* protected are those which take place after the date of the receiving order or are made in bad faith and contrary to bankruptcy law.

COMMITTEE OF INSPECTION.

A committee of inspection in bankruptcy consists of not less than three nor more than five persons, who are elected by the creditors qualified to vote (*i.e.*, those who have proved) and comprise creditors or persons holding general proxies or powers of attorney from creditors whose proofs have been admitted. The creditors at their first or any subsequent meeting appoint such a committee of inspection by resolution to superintend the administration of the bankrupt's property by the trustee. The work of the committee consists of the holding of meetings from time to time (at least once a month) and the committee may act by a majority of members present, but not unless a majority of the committee are present at the meeting. The trustee is unable to do many things in relation to the estate of the bankrupt until he receives permission, and in many cases the committee of inspection is responsible for giving this permission. A vacancy on the committee may occur when (1) a member resigns office by giving notice to the trustee in writing, signed by himself; (2) a member becomes bankrupt or compounds or arranges with his creditors; (3) a member is absent from five consecutive meetings of the committee; and (4) when a member is removed by ordinary resolution at any meeting of creditors of which seven days' notice has been given stating the object of the meeting. Upon a vacancy occurring on the committee of inspection the trustee must at once summon a meeting of creditors for the purpose of filling the vacancy, and any alteration in or addition to the committee must at once be notified to the Board of Trade. This is done by transmitting a certified copy of the resolution effecting such alteration or addition to the board. During a vacancy on the committee the remaining members may act, providing their number does not fall less than two.

MEETINGS.

(1) The Official Receiver must summon the first meeting of creditors to be held within fourteen days of the receiving order, and must give six days' notice in the *London Gazette* and a local newspaper.

(2) With the notice of meeting he must send to creditors mentioned in the statement of affairs a copy of the first sheet of such statement, with any comments thereon, besides a form of proof, forms of general and special proxy, detail of any scheme of composition, if any is to be considered, and also a voting letter.

(3) All creditors present at the first meeting, who have proved, may vote, and the creditors may decide to accept a scheme of composition or apply for adjudication.

(4) The Official Receiver must summon other meetings of creditors when (*a*) the debtor is adjudged bankrupt after the first meeting, and no trustee is appointed prior to adjudication; (*b*) requested by any creditor on a vacancy occurring in the trusteeship; (*c*) required to do so by one-fourth in value of the creditors who deposit costs for the purpose of considering the removal of a trustee; (*d*) requested to do so in writing by one-fourth in value of the creditors, or when so directed by the Court; and (*e*) requested to do so by one-sixth in value of the creditors if they deposit cost.

(5) The trustee may from time to time summon general meetings of the creditors for the purpose of ascertaining their wishes, and must send a copy of every notice convening such meetings to the Official Receiver. He must summon meetings when the creditors by resolution so direct, or when the Court directs, or when one-fourth in value of the creditors request, or when required by any creditor who deposits costs, and such request has the concurrence of one-sixth in value of the creditors.

(6) The chairman at the first meeting is the Official Receiver, or some other person nominated by him. The chairman at subsequent meetings is appointed by resolution at such meetings.

(7) Meetings are summoned to be held at such places as the Official Receiver considers most convenient for the majority of the creditors.

(8) Persons entitled to vote are those who have duly proved a debt provable in the bankruptcy due to them by the debtor, and the proof has been duly lodged before the appointed time for the meeting.

SMALL BANKRUPTCIES.

(1) Small bankruptcies are cases dealt with under sect. 121 of the Bankruptcy Act 1883, where on the report of the Official Receiver it is found that the assets of the bankrupt are not likely to exceed £300 in value, and an order for summary administration is made. As in the case of ordinary bankruptcies a petition by or against the debtor is the first step; (2) the Official Receiver is trustee by virtue of his office, unless by special resolution the creditors appoint a trustee of their own, when the administration ceases to be a small bankruptcy; (3) the Official Receiver acts with permission of the Board of Trade, and unless the Board otherwise so directs there need be no advertisement in the local newspaper; (4) there is no committee of inspection, and the first meeting of creditors need not be adjourned if there is not a quorum present; (5) notice of meetings, other than the first, are not sent to creditors whose debts do not exceed £2 in value; (6) the first and final dividend must be declared within six months of the termination of the first meeting; (7) where property has not been sub-let, mortgaged, assigned, or charged, the trustee cannot be compelled to get leave of the Court for disclaimer of leaseholds; and (8) the scale of solicitors' costs is lower than in ordinary bankruptcies, and all questions are determined by the Court without a jury.

SUMMARY ADMINISTRATION ORDERS.

Sect. 122 of the Bankruptcy Act of 1883 gives power to a judgment debtor who can show that his total indebtedness does not exceed £50, to apply for a Summary Administration Order, which permits payment of his creditors by instalments.

He must—

(*a*) Lodge with the Registrar a schedule of all creditors (showing amount due to each) 10 days before hearing.

(*b*) If debts are objected to, creditors must prove in ordinary way.

(*c*) The order when made protects debtor and his property.

(*d*) Registrar may permit a creditor to levy execution if debtor's property exceeds £10, after allowing for excepted articles to value of £20.

(*e*) Order may be rescinded if two or more instalments are in arrear.

(*f*) Debtor will be discharged when the amount of composition as arranged under the order and costs have been paid.

(*g*) This order does not prevent a debtor from holding public office.

Major G. W. T. Coles, Incorporated Accountant, who is in command of the 206 Battery, Royal Artillery (Territorial), has received the Territorial Decoration.

Correspondence.

CAPITALISATION OF CHIEF RENTS OR GROUND RENTS.

To the Editors *Incorporated Accountants' Journal.*

SIRS,—The practice of Inspectors of Taxes in seeking to assess upon speculative builders the capitalised value of chief (and ground) rents is apparently spreading, and at a recent informal meeting of accountants from different parts of the country it was strongly felt that the time had now arrived when a decision should be reached and the matter definitely settled. Many cases have been heard before the General Commissioners with, we believe, varying results.

In a particular case recently heard the findings were against the builder, but neither he nor his advisers felt that the decision should be allowed to stand, and the Commissioners were requested to state a case. The opinion of eminent Counsel was also taken.

Believing that only by contesting a case in the Courts can the issue be satisfactorily settled, we are anxious to get into touch with interested members of the profession with a view to obtaining the support of their clients in combined action with regard to this or a similar case. Such a course would, we believe, be welcomed by Inspectors of Taxes in view of the divergence of opinion and the many appeals lodged.

The case referred to relates to the capitalisation of chief rents, but we are advised that no essential difference exists between this and the capitalisation of ground rents.

In order that the legality of the Inspectors' action may be fully tested, the co-operation of other accountants and their clients would be appreciated, and we should be glad to hear whether they would be prepared to support action on the lines indicated.

Yours faithfully,

F.S.A.A. (North).
F.C.A. (South).

DOUBLE TAXATION OF SHIPPING PROFITS

Agreement with Germany.

In our Professional Notes of March last we referred to the agreement with Germany in relation to the exemption of shipping profits from double taxation. The following are the terms of the agreement as published in the *London Gazette* of May 11th:—

ARTICLE 1.

His Britannic Majesty's Government in Great Britain agree to take the necessary steps under sect. 18 of the Act of Parliament of the United Kingdom known as the Finance Act, 1923, for exempting from income tax (including super tax) chargeable in Great Britain and Northern Ireland for the year of assessment 1923-24 commencing on April 6th, 1923, and for every subsequent year of assessment any profits which accrue from the business of shipping carried on by an individual resident in Germany and not resident in Great Britain or Northern Ireland, or by a company managing and controlling such business in Germany.

ARTICLE 2.

The German Government agree to take the necessary steps under Article 7 of the Reichsabgabenordnung for exempting from Einkommensteuer und Körperschaftssteuer chargeable

in Germany for periods subsequent to April 1st, 1923, any profits which accrue from the business of shipping carried on by an individual resident in Great Britain or Northern Ireland, and not resident in Germany, or by a company managing and controlling such business in Great Britain or Northern Ireland.

ARTICLE 3.

The expression "the business of shipping" means the business carried on by an owner of ships, and for the purposes of this definition the expression "owner" includes any charterer.

ARTICLE 4.

The agreement shall cease to have effect if and so soon as either the relief to be granted under Article 1 hereof in respect of income tax in Great Britain and Northern Ireland, or the relief to be granted under Article 2 hereof in respect of Einkommensteuer und Körperschaftssteuer in Germany, ceases to have legal operation.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Scottish Private Legislation.

Mr. Charles Milne, M.A., LL.B., Advocate (Examiner in Scots Law), will retire from the office of Junior Counsel to the Secretary of State for Scotland under the Private Legislation Procedure (Scotland) Act, 1899, on October 1st next, and will be succeeded by Mr. Matthew G. Fisher, M.A., LL.B., Advocate, at present Secretary of the Scottish Ecclesiastical Commission.

Transfer of Shares.

In a case recently before Lord Morison, Mr. John Scott, Carluke, of Messrs. R. & N. Scott, Limited, preserve manufacturers, sued the trustees of his late cousin, Mr. Robert Scott (the two original directors of the company), as to the price at which shares in the company should be transferred to him. The pursuer was entitled under the Articles of Association to require the defenders as trustees to transfer his cousin's holding of 24,544 ordinary shares of £1 each to him at a price to be fixed by mutual agreement, or, failing agreement, at a price to be determined by Sir John M. McLeod, C.A. The parties failed to agree, and Sir John MacLeod was asked to determine their value. He fixed the price at 38s. per share, but added that in fixing this price he had kept in view that the defenders were entitled to get the proportional dividend to the date of the requisition, subject to deduction of any sum paid between May 15th and September 22nd, 1926, the date of the requisition. The parties were at variance as to the meaning of this addendum to the award. On May 21st, 1926, the company paid to the trustees £4,304 3s. 4d. in name of dividend which had accrued on Mr. Robert Scott's shares in respect of the company's profit earned during the years 1924-25. The pursuer contended that Sir John Macleod's award must be read as implying that a deduction of £4,304 should be made from the price of the shares £46,663, which was said to be the full value of the shares. Lord Morison, in deciding that the proportional dividend due by the pursuer to the defenders for the period from May 15th to September 22nd, 1926, was £2,601, said that the terms of the addendum by Sir John Macleod was, on a strict analysis, open to criticism, but on a just construction of the award he held that the defenders were entitled to be paid £46,663 in addition to the £2,601.

Law of Donation and Income Tax.

A Scottish income tax case involving a claim for repayment of £11 11s. 9d., which, commencing with the Perth General Commissioners, was decided in favour of the claimant, was appealed by the Crown to the Court of Session, the Judges of which confirmed the decision of the Commissioners; was again appealed to the House of Lords, when judgment was once more given (and the case finally decided) against the Crown. It related to a claim for repayment by a Perthshire farmer on behalf of his son. Briefly, the facts were that in 1920 the farmer purchased out of his own money shares in a Perth company in name of his pupil son, who appeared in the company's books as the registered proprietor. The son attained his minority in 1923, and the present claim was for repayment of the tax on dividends for the year ended April, 1925. The Inland Revenue resisted the claim for repayment on the ground that during the years in question the shares were the property not of the son but of the father, who had not made an effective donation of the shares to his son. After hearing parties on the written pleadings, the Commissioners found that the shares were effectively donated to the son, of whom they were the sole property. This determination was affirmed by the First Division of the Court of Session, and the Crown now took the case to the House of Lords. The Lord Advocate said that, with the other law officers, he took full responsibility for the case. Viscount Haldane, in the course of his judgment, said that the judgment of the Court below came to this: that there was nothing in what had happened to displace the inference that the shares were bought and entered in the name of the son as a donation from the father. Viscount Dunedin said he concurred. He associated himself with the remarks of the noble Lord on the Woolsack. He would have been prepared to use much stronger language had it not been for the proper undertaking which the Lord Advocate had given. He could not help thinking that the fears of the Crown in this case were quite groundless. It was a question of evidence, and the evidence was quite clear. The case could not be a precedent, and his view was that not only was this case very clear, but that it left the law of Scotland on donation precisely where it was before the case came up. Lord Shaw concurred, and thought the case was of surpassing triviality. It was an ill-advised appeal, and the House had been treated to certain arguments which were not in place at the bar of that House. Lord Carson and Lord Blanesburgh concurred, and the appeal was dismissed with costs. Four Counsel were engaged for the Crown alone, and the cost has since been stated to have been about £1,000.

Edinburgh City Chamberlain on Rates Burden.

In an address to the Edinburgh Rotary Club last month Mr. J. D. Imrie, M.A., B.L., B.Com., F.S.A.A., discussed the Edinburgh Corporation's rating accounts. In the course of an exhaustive address he referred to certain schemes undertaken with the avowed object of relieving unemployment, and expressed the opinion that, however utilitarian such schemes might be it was now generally recognised that such schemes from the unemployment point of view were not economically sound, in so far that the relief they provided was far outweighed by the financial burden which they created, and which continued to press on taxpayer and ratepayer for a generation after the completion of the works. Housing and unemployment, he stated, were the two items which had increased the burden, and while unemployment was decreasing in its incidence, housing was still necessary. Mr. Imrie claimed that rates in Edinburgh were not high compared with other places, and that in respect of financial administration Edinburgh formed a model for other places.

Notes on Legal Cases.

BILL OF EXCHANGE.

Reckitt v. Barnett.

Power of Attorney.

The Court of Appeal held that where the effect of a power of attorney is to enable the attorney to deal with the moneys of his principal (*e.g.*, authority to sign cheques) without restriction, third partie dealin with the attorney are not

affected by the fact that the attorney may be using the moneys of his principal for his own purposes.

(C.A.; (1928) L.J.N., 279.)

COMPANY LAW.

In re Norske Lloyd Insurance Company.

Effect of Compromise.

Eve (J.) held that a compromise of claims in a winding-up accepted and acted upon by both parties is binding, notwithstanding that it subsequently appears that the legal position of the parties had been mis-appreciated when the compromise was entered into.

(Ch.; (1928) L.J.N., 358.)

EXECUTORSHIP LAW, AND TRUSTS.

Re Howden & Hyslop's Contract.

Practice in Probate Division.

The Supreme Court of Judicature (Consolidation) Act, 1925, sect. 168, provides that a confirmation of the executor of a person who died domiciled in Scotland which includes, besides the estate situate in Scotland, also personal estate situate in England, shall, on being sealed with the seal of the principal probate registry, have the like effect in England as if it were a grant made by the High Court, *i.e.*, a grant of probate or of administration.

Astbury (J.) held that by sect. 168 resealing of the grant of the confirmation was expressly equivalent to a grant of probate in England; that, prior to the Land Transfer Act, 1897, executors in Scotland who had a re-sealed confirmation could sell English leaseholds, and that since that Act they could sell English real estate; that the use of the words "personal estate situate in England" in sect. 168 probably was intended to show that if the testator had only real estate and no personal estate in England, a grant of probate would be necessary to vest the real estate in the executors.

(Ch.; (1928) L.T.N., 416.

Jenkins v. Jenkins.

Executor and Promissory Note.

The plaintiff, Lewis Jenkins, had been appointed sole executor of Joseph Elliott by a will dated February 24th, 1912. In December, 1923, the plaintiff, the defendant Isaac Jenkins, and two other persons signed a promissory note by which they jointly and severally promised to pay £100 to Joseph Elliott. He died in March, 1924, and probate of his will was granted to the plaintiff. In August, 1927, the plaintiff commenced an action on the promissory note, sueing as executor for the deceased, against the defendant.

It was held that a joint and several debt to a testator is discharged by the appointment of one of the debtors as executor.

(K.B.; (1928) L.J.N., 360.)

INSOLVENCY.

In re Noi Kooperman.

Foreigner made Bankrupt Abroad.

Where a foreigner has been made bankrupt abroad, a receiver of his leaseholds will be appointed by our Courts.

(Ch.; (1928) L.J.N., 358.)

In re A Debtor.

Power to go behind Compromise.

The Divisional Court held that the Court will not exercise the power to go behind a compromise unless it can be shown to be improper.

(K.B.; (1928) L.J.N., 358.)

MISCELLANEOUS.

Bonham v. Maycock.

Authority of a Mortgagee's Solicitor.

An authority to a solicitor to receive the interest on a mortgage does not imply an authority to receive the principal.

(K.B.; (1928) 44 T.L.R., 387.)

REVENUE.

Inland Revenue v. Pakenham; Inland Revenue v. Countess of Longford.

Different Settlements and Super Tax.

The House of Lords affirmed a decision of the Court of Appeal (reported *Incorporated Accountants' Journal*, October, 1927, p. 30), and held that where an infant is entitled under more than one settlement, and an allowance for maintenance is made under each to his guardian, neither the guardian nor the trustees are liable to make a return for super tax purposes.

(H.L.; (1928) L.J.N., 278.)

Benjamin Smith & Son v. Inland Revenue.

Excess Profits Duty and Trading Stock in Hand.

The Finance Act, 1921, Second Schedule, Part 2, R. 1, provides that if the owner of a trade or business proves that he has sustained a loss on the sale at any time between September 1st, 1921, and August 31st, 1923, both inclusive, of the whole of the trading stock in hand on August 31st, 1921, the amount of the loss shall be allowed as a deduction in computing the excess profits of the final accounting period, or as an addition to any deficiency for that period, as the case may be.

The House of Lords held that the expression "trading stock in hand" did not include the goods in question in this case as they had not been delivered, they were not in the possession of the appellants, nor had the property passed unconditionally to them; they were goods to be delivered under contract for future delivery.

(H.L.; (1928) L.T.N., 219.)

Green v. Gliksten & Son.

Income Tax and Insurance Moneys.

The Court of Appeal dismissed an appeal from a decision of Rowlatt (J.) (see *Incorporated Accountants' Journal*, February, p. 182), and held that where goods insured are destroyed by fire, the insurance money received in respect thereof is to be brought into account for taxation purposes as if the goods had been sold at that price.

(C.A.; (1928) L.J.N., 298.)

Inland Revenue Commissioners v. Parsons.

Super Tax and Shares to Employees.

The Court of Appeal dismissed an appeal from a decision of Rowlatt (J.), and held that the income on shares set aside by an employer on terms by which employees might become entitled to them, the shares meanwhile remaining under the control of the employer, is part of the employer's income for tax purposes.

(C.A.; (1928) L.J.N., 316.)

General Medical Council v. Commissioners of Inland Revenue.

Exemption from Income Tax.

The Court of Appeal dismissed an appeal from a decision of Rowlatt (J.) (reported in *Incorporated Accountants' Journal*, February, p. 182), and held that although the objects of the General Medical Council might be beneficial to the public, it was established mainly for the benefit of the medical profession and the protection of its interests.

(C.A.; (1928) L.T.N., 351.)